

Consent Order Response – Compliance
Program (Sections 8&9)

Consent Order Response

Compliance Program

(Consent Order Sections 8 & 9)

Version:

Final

Date:

August 10, 2011





Table of Contents

1.	Compliance Program	3
1.1	Overview	3
1.2	Work Stream Overview.....	5
1.3	Background	5
1.4	Consent Order	6
1.5	Approach	8
1.6	Action Plan	20
1.7	Progress Tracking	22
2.	Glossary	23
3.	Appendix A– STM Compliance Activities for Key Processes	24
4.	Appendix B– Consumer Banking Supplier Management Procedures.....	28

1. Compliance Program

1.1 Overview

About SunTrust and SunTrust Mortgage

SunTrust Banks, Inc., headquartered in Atlanta, GA, is one of the nation's largest banking organizations, serving a broad range of consumer, commercial, corporate and institutional clients. As of 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. 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.

¹ SunTrust Quarterly Earnings Statement, June 2011

² Inside Mortgage Finance, March 2011

In addition to [REDACTED] appointment, in April 2011, Jerome Lienhard was named as the President and Chief Executive Officer of SunTrust Mortgage, Inc. Mr. Lienhard is a seasoned banking veteran with extensive experience in the mortgage industry. Mr. Lienhard is currently conducting an internal management assessment, within SunTrust Mortgage, to identify the appropriate leaders necessary to enact the desired cultural change. This assessment is informed by the work previously performed by an independent third party regarding the organizational structure of the mortgage company.

Originations

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

Servicing and Default

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

Within the Default Program, an important project we have underway is the implementation of enhanced processes supported by the [REDACTED] workflow system as our end-to-end default management solution. The new solution is intended to improve the efficiency of handoffs between collections, loss mitigation and foreclosure, enhance loss mitigation eligibility and the decision process, and enable SunTrust to more rapidly adjust to changes in the regulatory environment. The [REDACTED] project began in late 2008 and to date we have invested more than [REDACTED] to customize and install the system. We have applied a phased approach to the installation, with our own portfolio converted in July 2010, which accounted for 15% of loans serviced, and the Fannie Mae and Freddie Mac portfolios converted in October 2010, which accounts for another 70% of loans serviced. The remainder of the servicing portfolio, which includes 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. The program executive manager and day-to-day supervisor is [REDACTED], Senior Vice President, Consumer Banking Administration. Both have significant experience in leading large,

transformational programs. Not including the independent third parties engaged to perform the Risk Assessment and Foreclosure Review, more than fifty dedicated resources have been focused on the Consent Order.

SunTrust's Consent Order response program is supported by a formal governance structure, including a Steering Committee comprised of the Chief Risk Officer, Head of Consumer Banking, President and 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 Work Stream Overview

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, and the Enterprise Operational Risk Policy addresses compliance with our business policies, procedures, processes, and controls. Business level risk programs, Consumer Banking Compliance Program and Consumer Banking Operational Risk Framework, are in place to address how Consumer Banking will manage both of these risk disciplines. Consumer Banking Operational & Compliance Risk Group is responsible for the oversight of the mortgage business with respect to these programs.

SunTrust's Enterprise Risk Policy risk governance structure and processes have defined clear roles for business lines, risk and independent review functions, each of which is critical to ensuring that risk and reward in all activities are properly identified, measured and managed. All teammates must have an awareness of risk in all their actions and recognize the need to effectively manage it. All areas work as one team, combined with individual accountability within defined roles, for optimum effectiveness.

1.3 Background

We recognize the need for our risk management processes to align with the nature, size, and complexity of our business activities and accordingly we will accelerate the Consumer Banking Operational & Compliance Risk Group's enhancements related to mortgage servicing, loss mitigation and foreclosure. An organizational plan was put into place in January 2010 to expand the depth, breadth and skill sets within the Operational & Compliance Risk Management Group. This plan was addressed as a part of our Targeted Review Response to the FRB dated April 28, 2010. 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.

Additional enhancements to the Operational & 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/Quality Control team to ensure 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 Risk Control Self Assessment (RCSA) program in foreclosure.

During the first quarter of 2011, PwC was contracted to perform an independent assessment of SunTrust Mortgage's (STM) management of risk. SunTrust has been addressing the recommendations from that assessment, many of which are overlapping to this Order, such as QC Compliance staffing; Compliance/QC reviews of the Default area; revamp RCSA process; provide risk training for business owners; and expand testing by Risk Management.

Based on this gap assessment and the results of internal analyses, we have established a plan to:

- Develop risk and control awareness training to help educate the business lines of their responsibilities with regards to risk management.
- Enhance the RCSA process with a more granular review of the processes and business information to better facilitate risk identification.
- Enhance 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.
- Expand Operational Assurance Team to test control effectiveness within high risk areas addressed in the Consent Order, including the addition of business legal requirements.
- Continue the build out of the Default & Servicing Compliance/QC team to support changes in federal/state regulations and test effectiveness of the controls.

Additional and supporting actions are outlined in the Action Plan, but these are believed to be the most critical changes to improve the risk program. To date, 43 new Compliance & Operational Risk Positions have been filled.

1.4 Consent Order

Excerpts from the Consent Order dated April 13, 2011 - Compliance Program

8. Within 60 days of this Order, SunTrust shall submit to the Reserve Bank an acceptable written plan to enhance its enterprise-wide compliance program ("ECP") 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 ECP in the areas of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, and recommendations to strengthen the ECP in these areas.

The plan shall, at a minimum, be designed to:

- (a) Ensure that the fundamental elements of the ECP and any enhancements or revisions thereto, including a comprehensive annual risk assessment, encompass residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;
- (b) ensure compliance with the Legal Requirements and supervisory guidance of the Board of Governors; and
- (c) ensure that policies, procedures, and processes are updated on an ongoing basis as necessary to incorporate new or changes to the Legal Requirements and supervisory guidance of the Board of Governors.

9. Within 60 days of this Order, the Bank and SunTrust Mortgage shall submit to the Reserve Bank an acceptable compliance program and timeline for implementation to ensure that the operations of SunTrust Mortgage, including, but not limited to, residential mortgage servicing, Loss Mitigation, and foreclosure, comply with the Legal Requirements, as well as SunTrust Mortgage's internal policies, procedures, and processes and are conducted in a safe and sound manner. The program shall, at a minimum, address, consider, and include:

- (a) The duties and responsibilities of line of business staff, other staff, and Third-Party Providers regarding compliance;
- (b) policies for developing and communicating compliance-related roles and responsibilities across SunTrust Mortgage's organization and to Third-Party Providers;
- (c) policies, procedures, and processes to ensure that SunTrust Mortgage has the ability to locate and secure all documents, including original promissory notes, necessary to perform mortgage servicing, Loss Mitigation, and foreclosure functions and to comply with contractual obligations;
- (d) compliance with supervisory guidance of the Board of Governors, including, but not limited to the 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);
- (e) compliance with Legal Requirements, including:
 - (i) processes to ensure that all factual assertions made in pleadings, declarations, affidavits, or other sworn statements filed by or on behalf of SunTrust Mortgage are accurate, complete, and reliable; and that affidavits and declarations are based on personal knowledge or a review of SunTrust Mortgage's books and records when the affidavit or declaration so states;
 - (ii) processes to ensure that affidavits filed in foreclosure proceedings and other foreclosure-related documents are executed and notarized in accordance with applicable state legal requirements, including jurat requirements;
 - (iii) processes to ensure that SunTrust Mortgage has properly documented ownership of the promissory note and mortgage (or deed of trust) under applicable state law, or is otherwise a proper party to the action (as a result of agency or other similar status) at all stages of foreclosure and bankruptcy litigation; and
 - (iv) processes to ensure that a clear and auditable trail exists for all factual information contained in each affidavit or declaration, in support of each of the charges that are listed, including whether the amount is chargeable to the borrower or claimable by the investor;
- (f) policies and procedures to ensure that payments are credited in a prompt and timely manner; that payments, including partial payments to the extent permissible under the terms of applicable legal instruments, are applied to scheduled principal, interest, and escrow before fees, and that any misapplication of borrower funds is corrected in a prompt and timely manner;
- (g) compliance with contractual obligations to the owners of the mortgages in the Servicing Portfolio;
- (h) compliance with the contractual limitations in the underlying mortgage note, mortgage, or other customer authorization with respect to the imposition of fees, charges and expenses, and compliance with Legal Requirements concerning the imposition of fees, charges, and expenses;
- (i) processes to ensure that foreclosure sales (including the calculation of the default period, the amounts due, and compliance with notice requirements) and post-sale confirmation are in accordance with the terms of the mortgage loan and applicable state and federal law requirements;
- (j) procedures to ensure compliance with bankruptcy law requirements, including a prohibition on collection of fees in violation of bankruptcy's automatic stay (11U.S.C. § 362), the discharge injunction (11 U.S.C. § 524), or any applicable court order;

- (k) the scope and frequency of independent testing for compliance with the Legal Requirements, supervisory guidance of the Board of Governors, and the requirements of SunTrust Mortgage’s internal policies, procedures, and processes by qualified parties with requisite knowledge and ability (which may include internal audit) who are independent of SunTrust Mortgage’s business lines and compliance function;
- (l) measures to ensure that policies, procedures, and processes are updated on an ongoing basis as necessary to incorporate new or changes to Legal Requirements and supervisory guidance of the Board of Governors; and
- (m) the findings and conclusions of the independent consultants that were engaged by SunTrust, the Bank, or SunTrust Mortgage under paragraph 3 to review SunTrust Mortgage’s foreclosure processes.

1.5 Approach

The following approach details current state or planned actions to address each item detailed in the Compliance Program section of the Consent Order. Section 1.6 provides action items for planned enhancements to the existing program and Appendix A summarizes the compliance activities for business line and risk management.

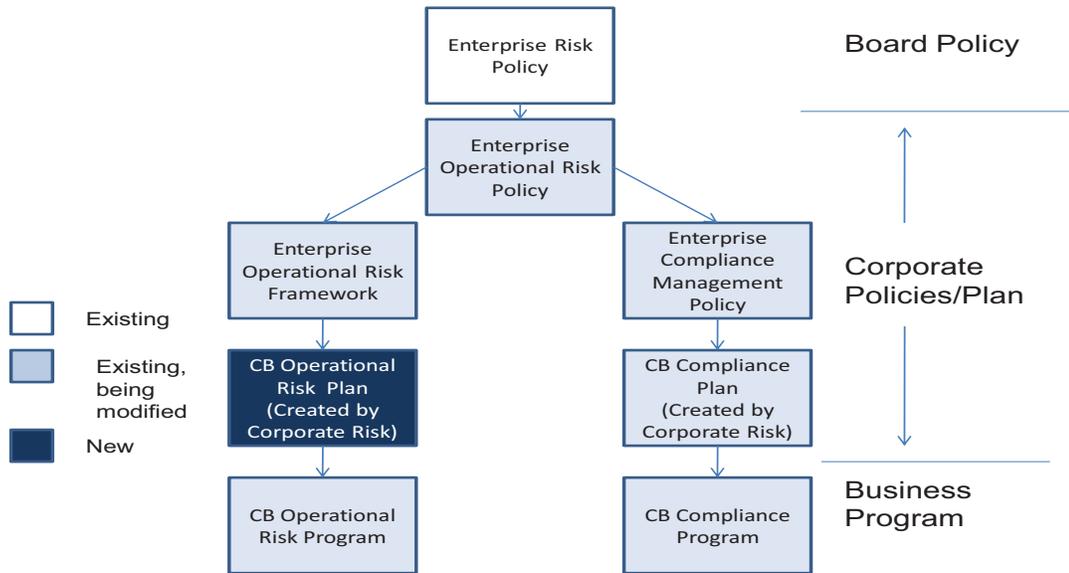
8. *Within 60 days of this Order, SunTrust shall submit to the Reserve Bank an acceptable written plan to enhance its enterprise-wide compliance program with respect to its oversight of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations. The enhanced program shall be based on an evaluation of the effectiveness of SunTrust’s current ECP in the areas of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, and recommendations to strengthen the ECP in these areas. The plan shall, at a minimum, be designed to:*

a) ECP Enhancements

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

As stated above, “compliance” within the Consent Order is used in a broad sense and encompasses legal, regulatory and operational risk. For purposes of this discussion, SunTrust’s ECP can be considered to include both the Compliance Management Program and the Operational Risk Program, which are distinct but related disciplines under the overall Corporate Risk Management Program. SunTrust’s Compliance Management Program manages compliance with regulations and laws applicable to business operations. The Legal Requirements, as defined in the Consent Order, refer to the execution of general business legal requirements. [REDACTED] and will be managed under the Operational Risk Program going forward. Both risk disciplines require annual risk assessments that encompass residential mortgage loan servicing, loss mitigation and foreclosure activities.

The overall structure of policies governing operational risk and compliance is depicted below. Each of these documents is described in the following paragraphs. As the chart shows, all but one of the documents have previously existed and will be updated as part of our Consent Order action plan or through other normal course of annual review.



1

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.

The 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 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 or 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 requirements in the policy.

As part of the Action Plan, Corporate Operational Risk will create a Consumer Banking Operational Risk Plan that will address the Consumer Banking businesses which include residential mortgage loan servicing, loss mitigation, and foreclosure activities. The Plan will 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. The Plan will include 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. The Plan requirements will include areas identified in the Action Plan under section 9.

Consumer Banking will revise the Operational Risk Program, formerly called Operational Risk Framework, that describes Consumer Banking processes and mechanisms for managing operational risks in compliance with the requirements laid out in the Plan. The Program document will include

the enhanced risk management processes including Operational Assurance Testing (see 9a), the Expanded RCSA program (see 9a), Vendor Management (see 9a), Process and Procedures Group (see 9a), and Legal Requirements Management (see 8b, 8c, 9a, 9e, 9l), and the clarification of roles and responsibilities as addressed in greater detail in section 9.

The Enterprise Operational Risk Policy specifies the duties of the 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 Compliance Management Policy states the objective of the Enterprise Compliance Management Program is to ensure that the Company maintains the policies, procedures, and operational controls necessary to reasonably ensure that it operates in compliance 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.

The Enterprise Compliance Management Policy specifies the duties of Corporate Compliance to obtain an assessment of the business unit compliance risks and an evaluation of the controls in place to manage those risks. Further, Corporate Compliance develops an overall assessment of regulatory 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.

Similar to operational risk, Corporate Compliance has a Plan for Consumer Banking detailing Compliance Management requirements as applicable to the Consumer business unit. Consumer Banking develops an annual Compliance Management Program describing how Consumer Banking will comply with requirements in the Plan and manage regulatory compliance, which includes business support, testing, monitoring and reporting.

b) Legal Requirements & Supervisory Requirements

Ensure compliance with the Legal Requirements and supervisory guidance of the Board of Governors; and

Legal Requirements, as defined on page 4 of the Consent Order, are managed as part of the operational risk process. As part of the Action Plan, both the Operational Risk Policy and the Enterprise Compliance Management Policy will more clearly delineate legal issues managed under the Compliance Program and those managed as a part of Operational Risk.

New supervisory guidance is managed 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. 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, our practice has been to manage it in the manner described above. Supervisory guidance will be explicitly included in the scope of the Enterprise Compliance Management Policy at the next revision, expected to be approved in September.

Compliance and the Legal department monitor for changes in supervisory guidance or legal requirements pertaining to mortgage loan servicing, Loss Mitigation, foreclosure activities and operations. Consumer Operational Risk will be consulted as required to assist with the design of appropriate operational controls to meet the new requirements. Corporate Operational Risk Management will oversee the activities through normal monitoring.

The Enterprise Operational Risk Policy will be updated to include supervisory guidance. The policy revision is expected to be approved in September.

As part of the action plan, the Consumer Banking Compliance and Operational Risk Plan and Program documents will also explicitly define these processes for Consumer Banking.

c) Changes in Legal Requirements

Ensure that policies, procedures, and processes are updated on an ongoing basis as necessary to incorporate new or changes to the Legal Requirements and supervisory guidance of the Board of Governors.

STI has defined the scope of legal risks/requirements to be those requirements related to:

- The Company's contractual relationships with clients, vendors, business partners or others, This includes compliance with investor contracts, outside attorneys, membership rules and contractual relationships with MERS, and other suppliers
- The civil enforcement of notes or liens, This includes legal compliance with laws governing bankruptcy and foreclosure sales . This includes:
 - i. processes to ensure that all factual assertions made in pleadings, declarations, affidavits, or other sworn statements filed by or on behalf of SunTrust Mortgage are accurate, complete, and reliable; and that affidavits and declarations are based on personal knowledge or a review of SunTrust Mortgage's books and records when the affidavit or declaration so states;
 - ii. processes to ensure that affidavits filed in foreclosure proceedings and other foreclosure-related documents are executed and notarized in accordance with applicable state legal requirements, including jurat requirements;
 - iii. processes to ensure that SunTrust Mortgage has properly documented ownership of the promissory note and mortgage (or deed of trust) under applicable state law, or is otherwise a proper party to the action (as a result of agency or other similar status) at all stages of foreclosure and bankruptcy litigation; and
 - iv. processes to ensure that a clear and auditable trail exists for all factual information contained in each affidavit or declaration, in support of each of the charges that are listed, including whether the amount is chargeable to the borrower or claimable by the investor.
- The legal documentation of client transactions, which includes preparation, retention and production of promissory notes and mortgage documents
- Requirements incidental to the practice of law or other general legal requirements. This includes, for example, notary and signature guarantee practices.

The current process for managing legal requirements (outside of the laws and regulations managed by Compliance) is characterized by Legal identifying changes and/or receiving general business inquiries from the business. Requirements are embedded in business area practices as applicable.

Going forward, Consumer Banking Operational Risk Management will be responsible for coordinating the implementation of legal requirements. The Consumer Banking Operational Risk Program document will describe the process and roles and responsibilities. Legal will be responsible for creating an inventory of these requirements and maintaining any changes. ORM will have responsibility to communicate those changes to the affected business areas, assuring that controls and procedures are updated to reflect the requirements and that there are communications and training, as applicable. ORM will review and document the current process in SunTrust Mortgage as part of the risk assessment exercise. The Operational Assurance team will have responsibility to test the effectiveness of these controls.

Understanding the requirements of contracts with clients, investors, suppliers and other business partners is the responsibility of the affected lines of business with guidance from the Legal department. The affected lines of business must build those requirements into technology, controls and procedures as required.

Corporate Risk policies (Operational and Compliance) will be updated to address legal requirements as described above. The Consumer Bank Operational Risk Plan will define responsibilities for identification, monitoring, training, communication and reporting of legal changes. The Consumer Banking Operational Risk Program and Consumer Banking Compliance Program documents will define the processes for identifying and communicating applicable legal requirement changes. Legal risks will be included in the scope of regular RCSA risk assessments and testing programs used to monitor the compliance of business processes with these requirements and other types of risks.

9. *Within 60 days of this Order, the Bank and SunTrust Mortgage shall submit to the Reserve Bank an acceptable compliance program and timeline for implementation to ensure that the operations of SunTrust Mortgage, including, but not limited to, residential mortgage servicing, Loss Mitigation, and foreclosure, comply with the Legal Requirements, as well as SunTrust Mortgage's internal policies, procedures, and processes and are conducted in a safe and sound manner. The program shall, at a minimum, address, consider, and include:*

- a) **Duties & Responsibilities**

The duties and responsibilities of line of business staff, other staff, and Third-Party Providers regarding compliance;

The foundation for the risk roles and responsibilities regarding compliance is based on the Enterprise Risk Policy and cascaded through the risk policies with increasing detail down to the business. Corporate risk policies, addressing operational risk and compliance risk, are executed for the mortgage business through Consumer Banking's respective Compliance Program and Operational Risk Framework. The Consumer Banking Operational Risk Framework will be renamed the Consumer Banking Operational Risk Program when updated. Both business level risk programs address roles and responsibilities and are reviewed annually.

The Consumer Banking Operational Risk Framework section on roles and responsibilities is limited to Operational Risk and Business Managers responsibilities. The revised document will be expanded to include operational risk activities supported by the following areas: Corporate Operational Risk Management (ORM), Legal, and SunTrust Audit Services. Existing business unit operational responsibilities will be expanded upon in the revised Operational Risk Program document.

In addition to existing roles and responsibilities the following new areas will be added:

- *Vendor Management* – A vendor management group and vendor management policy focused on default and servicing activity in the mortgage business will be developed as a part of the action plan addressing third party providers section in the Consent Order. Once developed, vendor

management compliance responsibilities will be documented in the applicable business risk documents. See Appendix B to reference the Vendor Management Policy.

- *Process & Procedures Group* – A Process & Procedures Management Group within the Consumer Banking business has been approved and is targeted to be in place by first quarter 2012. This group will manage the repository for process maps, procedures and controls; provide technical writers to assist business process owners and ensure appropriate level of detail; and manage a periodic management certification process. The business process owners will continue to be responsible for creating and maintaining their respective areas' process, procedures and controls.
- *Consumer Banking Operational Assurance* – This team was formed in the second quarter of 2011 and its role will be documented in the Consumer Banking Operational Risk Program. The team is responsible for conducting tests of controls to provide objective assurance that key operational controls within the Consumer Banking Line of Business are operating effectively. The team's scope addresses controls associated with policies, procedures, processes, and will include business 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. The team was created to support all of Consumer Banking, which includes the mortgage servicing, default and foreclosure areas.

Responsibilities to be expanded and/or clarified within the operational risk program include:

- *Expanded RCSA Program* – Operational risks are assessed by business owners through an RCSA Program facilitated by Consumer Banking Operational Risk Management (ORM). The RCSA program is being strengthened for high risk areas, including mortgage servicing, default and foreclosure. The objective of the expanded RCSA program is to help business line managers' better identify risk, as well as the effectiveness of controls associated with these risk. The expanded program will include the review of more background information, walkthroughs of processes and controls, and review of risk metrics to inform the overall assessment. Expanded information, which includes a more granular risk inventory and items identified through recent audits, exams, and internal analysis, will be used to better inform ORM and to ask probing questions to help the business owner identify potential risk. For high risk areas, the assessments will be informed by testing performed by the Operational Assurance Team. Enhancements to the RCSA process will position the business line manager to better identify risk and control issues. A report summarizing the assessments will be issued back to the business areas.
- *Legal Requirements* – [REDACTED]
[REDACTED] This will be added as a responsibility under the Operational Risk Program and will be incorporated into the RCSA processes as well as Operational Assurance Team's testing program. Furthermore, while Legal owns the initial identification of a change and the business owns implementation and execution, the roles and responsibilities with regards to the change process will be documented to ensure adequate ownership throughout the process. Legal will provide a list of legal requirements to enable Operational Risk to review for controls and the Operational Assurance Team to develop test methodologies. See full description in 8c.

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. The organizational plan was established in January 2010. In March 2011, we committed to accelerate the build out of the Default Compliance/Quality Control team, and have begun to staff the

Default Compliance/QC Compliance group with experienced, knowledgeable teammates, perform Compliance/QC reviews, and provide the above mentioned subject matter expertise.

b) Communicate Roles & Responsibilities

Policies for developing and communicating compliance-related roles and responsibilities across SunTrust Mortgage's organization and to Third-Party Providers;

Compliance related roles and responsibilities are included in Consumer Banking's Operational Risk Framework and Compliance Program documents. These have been agreed to by the respective parties and the frameworks shared with line managers and our Mortgage Operational Risk and Compliance Working Group. Furthermore, all employees' In-Balance performance reviews contain risk management accountability since 2008.

In order to reinforce an understanding of roles for the business line managers, Risk Management is planning to sponsor 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 have them rely less on the Risk Management Group. A Risk and Control Awareness training program will be developed and rolled out with the support of SunTrust University (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 verses ORM responsibilities, the risk management framework, the RCSA process and types of controls.

Vendor Management is being addressed in a separate response to the Consent Order. Methods for communicating compliance roles and responsibilities will be addressed as part of the Vendor Management Policy and related procedures.

Finally, a section on communicating roles and responsibilities will be added to the respective Consumer Banking (CB) risk program documents. As described in Section 8, the Operational Risk Framework will be renamed to the Operational Risk Program and meet the requirements of the new Consumer Banking Operational Risk Plan to be created by Corporate Operational Risk.

Roles will be re-communicated to all respective parties in our Mortgage Operational Risk and Compliance Working Group.

c) Ability to Locate and Secure Documents

Procedures, and processes to ensure that SunTrust Mortgage has the ability to locate and secure all documents, including original promissory notes, necessary to perform mortgage servicing, Loss Mitigation, and foreclosure functions and to comply with contractual obligations;

The process and responsibility to manage documents falls into two categories: 1) individual loan documents, including promissory notes, and 2) documents defining servicing obligations to investors.

For individual loan documents, policies, procedures, and processes have been established to (1) ensure SunTrust Mortgage has the ability to locate and secure all documents, including original promissory notes, necessary to perform Mortgage Servicing, Loss Mitigation, and Foreclosure functions, and (2) to comply with contractual obligations. These controls include an in-house custodial function that maintains original documents in a vault, scans all files into an image system (████), and utilizes a software application for file tracking. Quality Control (QC) testing is performed by the custodial function to ensure ongoing compliance with file preparation procedures and investor requirements. This testing consists of a daily QC review of all documentation received throughout the month and maintained in the SunTrust Mortgage Vault. The QC review tests to ensure complete documentation is in the correct file. Monthly, the Team Lead performs a review of each QC

teammate's work to ensure they are conducting a thorough review. Management monitors the results of QC and Team Lead reviews and takes necessary action based on the review results to ensure compliance with procedures and investor requirements.

For the servicing documents, mortgage has a contracts database which is the repository for many types of legal contracts, including mortgage purchase/sale and servicing agreements. Access is restricted to those that need access. The database is the designated storage location for the legal contracts, which are defined as records under SunTrust's records management policy.

The controls over this database will be improved to more clearly define accountability for entry and controls for completeness. In addition, research is ongoing to complete the inventory of all whole loan sale and servicing agreements.

See Appendix A for details on the process and respective business and risk management roles.

d) Supervisory Guidance

Compliance with supervisory guidance of the Board of Governors, including, but not limited to the 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);

The Corporate Compliance program has been reviewed for compliance with supervisory guidance SR 08-08 from the Board of Governors and was determined to be in compliance. The Consumer Banking Compliance Program, established under the Corporate Compliance Program, complies with SR 08-08.

The Consumer Banking Operational Risk, which addresses the mortgage business, reviewed the guidelines of SR 08-08 and included them in the design of the program. Specifically, the Consumer Banking Operational Risk program was designed to comply with the enterprise operational risk program, includes dedicated risk management professionals, include testing and the reporting of results to executive management and the Board through CORM.

New supervisory guidance is managed 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. 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, our practice has been to manage it in the manner described above. Supervisory guidance will be explicitly included in the scope of the Enterprise Compliance Management Policy at the next revision, expected to be approved in September.

Compliance and the Legal department monitor for changes in supervisory guidance or legal requirements pertaining to mortgage loan servicing, Loss Mitigation, foreclosure activities and operations. Consumer Operational Risk will be consulted as required to assist with the design of appropriate operational controls to meet the new requirements. Corporate Operational Risk Management will oversee the activities through normal monitoring.

The Enterprise Operational Risk Policy will be updated at the next version to include supervisory guidance for the enterprise Framework. The next version is expected to be approved in September.

As part of the action plan, the Consumer Banking Compliance and Operational Risk Plan and Program documents will also explicitly define these processes for Consumer Banking.

e) Legal Requirements

Compliance with Legal Requirements, including:

- (i) processes to ensure that all factual assertions made in pleadings, declarations, affidavits, or other sworn statements filed by or on behalf of SunTrust Mortgage are accurate, complete, and reliable; and that affidavits and declarations are based on personal knowledge or a review of SunTrust Mortgage's books and records when the affidavit or declaration so states;*
- (ii) processes to ensure that affidavits filed in foreclosure proceedings and other foreclosure-related documents are executed and notarized in accordance with applicable state legal requirements, including jurat requirements;*
- (iii) processes to ensure that SunTrust Mortgage has properly documented ownership of the promissory note and mortgage (or deed of trust) under applicable state law, or is otherwise a proper party to the action (as a result of agency or other similar status) at all stages of foreclosure and bankruptcy litigation; and*
- (iv) processes to ensure that a clear and auditable trail exists for all factual information contained in each affidavit or declaration, in support of each of the charges that are listed, including whether the amount is chargeable to the borrower or claimable by the investor;*

SunTrust Mortgage has established various procedures within the Foreclosure Support Group and relies upon designated foreclosure attorneys to ensure compliance with legal requirements. These foreclosure attorneys are under contract with an obligation to comply with federal and state laws.

The Supplier Management Programs currently being developed for Default Management (which 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. 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. Additionally, they define the 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. Suppliers, vendors and third party providers 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. Refer to Appendix B for a copy of the Consumer Banking Supplier Management Program, as well as the Artifact/Document referenced under Section 6 of the Program.

Steps performed by the Foreclosure Support Group include multiple level review of documentation to ensure accuracy, completeness, and reliability and the use of the [REDACTED] application to ensure all steps and stages of the process are followed.

As noted in Section 9(a), legal requirements [REDACTED]. This will be added as a responsibility under the Consumer Banking Operational Risk Program. As discussed in the Background section, Consumer Banking Operational Risk is expanding the Operational Assurance Team to better support the mortgage areas by providing testing of control effectiveness. A list of legal requirements provided by the Legal Department will help define general

business legal requirements addressed by Operational Risk Management. The list of requirements will help identify and verify controls are in place for the requirements and facilitate testing of control effectiveness.

From an overall risk program perspective, compliance with regards to legal requirements will be enhanced through the review/enhancement of the legal requirement change process; enhancement of the RCSA process to better identify risk; and the addition of legal requirement testing in the foreclosure process by the Operational Assurance Team. The Operational Assurance test plan will include an evaluation of processes to ensure:

- affidavits filed in foreclosure proceedings and other foreclosure-related documents are executed and notarized in accordance with applicable state legal requirements, including jurat requirements;
- SunTrust Mortgage has properly documented ownership of the promissory note and mortgage (or deed of trust) under applicable state law, or is otherwise a proper party to the action at all stages of foreclosure and bankruptcy litigation;
- a clear and auditable trail exists for all factual information contained in each affidavit or declaration, in support of each of the charges that are listed, including whether the amount is chargeable to the borrower or claimable by the investor.

Testing of these processes will occur with greater frequency, if deemed necessary based on an assessment of risk and controls.

See Appendix A for details on the process and respective business and risk management roles.

f) Payment Processing

Policies and procedures to ensure that payments are credited in a prompt and timely manner; that payments, including partial payments to the extent permissible under the terms of applicable legal instruments, are applied to scheduled principal, interest, and escrow before fees, and that any misapplication of borrower funds is corrected in a prompt and timely manner;

SunTrust utilizes an outsourced processing service through [REDACTED] to process lockbox payments as well as in-house payment processing procedures for non-standard payments. Documented procedures are referenced to ensure payments are applied in accordance with applicable legal instruments and reports are reviewed to ensure timeliness of processing. The payment process is handled through the [REDACTED] application. [REDACTED] incorporates systematic controls which are created from the investor contract and updated according to amendments. The system controls ensure compliance with investor obligations as well as legal requirements.

Testing by the Operational Assurance team will be added as described in section 9(a), and include testing of compliance with contractual provisions. A report will be issued and any issues noted will require a response by management. Issue remediation plans will be monitored to completion. See Appendix A for details on the process and respective business and risk management roles.

g) Contractual Obligations

Compliance with contractual obligations to the owners of the mortgages in the Servicing Portfolio;

SunTrust Mortgage (STM) references investor contracts, seller and servicing guides to comply with contractual obligations to the owners of the mortgages in its Servicing Portfolio. These documents are used to ensure investor requirements are met and sustained. Investors provide SunTrust Mortgage (STM) with scorecards to measure servicing performance and trends requiring action are quickly remediated.

Compliance with contractual obligations has been strengthened from a risk program perspective by enhancing the RCSA process to help business owners better identify risk and control effectiveness associated with the risk, and the addition of testing by Operational Risk Management. See Appendix A for details on the process and respective business and risk management roles.

h) Contractual Limitations

Compliance with the contractual limitations in the underlying mortgage note, mortgage, or other customer authorization with respect to the imposition of fees, charges and expenses, and compliance with Legal Requirements concerning the imposition of fees, charges, and expenses;

SunTrust Mortgage utilizes various systems, including [REDACTED] and [REDACTED] to ensure compliance with imposition of fees, charges and expenses within the underlying note, mortgage, and other customer authorized activities. An existing business project is underway to assign ownership of fee tables and enhance a fee database to further strengthen controls.

In addition to the expanded RCSA process, both the Operational Assurance and Default and Servicing Compliance/QC teams will include testing of their respective areas for compliance with contractual limitations, the imposition of fees, charges, and expenses. See Appendix A for details on the process and respective business and risk management roles.

i) Foreclosure Compliance

Processes to ensure that foreclosure sales (including the calculation of the default period, the amounts due, and compliance with notice requirements) and post-sale confirmation are in accordance with the terms of the mortgage loan and applicable state and federal law requirements;

SunTrust Mortgage uses a combination of procedures performed by the Foreclosure Support Group and designated foreclosure attorneys to ensure foreclosure sales and post-sale confirmations are in accordance with the terms of the mortgage loan and applicable state and federal law requirements. While contractual arrangements stipulate attorney compliance with state and legal requirements, multiple levels of documentation review and verification are performed within STM to ensure compliance. Within the Foreclosure Support Group, the preparer, reviewer, and signer each perform a QC review on 100% of all Affidavits of Indebtedness (AOI). Each QC review consists of comparing the AOI to the supporting documentation in the affidavit package. The affidavit checklist is signed by the preparer, reviewer and signer upon completing their review. The checklist is imaged along with supporting documentation. QC reviews confirm the default period, amount due, and other recording information on the AOIs is complete and accurate. At any point during the process, if a reviewer identifies a discrepancy, the package is sent back to the preparer for correction. The three levels of review required prior to completing the foreclosure ensure compliance with mortgage terms and applicable state and federal law requirements.

From an overall risk program perspective, foreclosure compliance will be enhanced through the review/enhancement of the legal requirement change process; enhancement of the RCSA process to better identify risk; and the addition of legal requirement testing in the foreclosure process by the Operational Assurance Team.

See Appendix A for details on the process and respective business and risk management roles.

j) Bankruptcy Law Requirements

Procedures to ensure compliance with bankruptcy law requirements, including a prohibition on collection of fees in violation of bankruptcy's automatic stay (11 U.S.C. § 362), the discharge injunction (11 U.S.C. § 524), or any applicable court order;

SunTrust Mortgage uses an in-house team of bankruptcy specialists to monitor accounts, communicate with counsel, and adhere to bankruptcy guidelines. Documented procedures are used to guide the process and [REDACTED] software is used to search national databases to identify, monitor,

and manage changes in bankruptcy case files. A quality control process has been established to sample files to ensure stops are placed correctly.

Testing by the Operational Assurance team will be added as described in section 9(a) and will include testing of bankruptcy law requirements, including a prohibition on collection of fees in violation of the bankruptcy's automatic stay, the discharge injunction, or any applicable court order.

See Appendix A for details on the process and respective business and risk management roles.

k) Independent Testing

The scope and frequency of independent testing for compliance with the Legal Requirements, supervisory guidance of the Board of Governors, and the requirements of SunTrust Mortgage's internal policies, procedures, and processes by qualified parties with requisite knowledge and ability (which may include internal audit) who are independent of SunTrust Mortgage's business lines and compliance function;

SunTrust Audit Services (SAS) is independent of SunTrust Mortgage business lines, compliance function and operational risk management. The frequency of audits performed by SunTrust Audit Services can be found in SAS Internal Audit Manual. The scope of each audit is custom designed. SunTrust Audit Services will conduct risk-based testing of residential mortgage servicing, Loss Mitigation, and foreclosure. Loss Mitigation and Foreclosure processes will be evaluated on an annual audit cycle. Reference Consent Order Response Sections 17 and 18 for further details.

Additional independent testing is performed by two newly established teams within Consumer Banking Operational and Compliance Risk Management. The Operational Assurance team will conduct tests of controls to verify operational controls within SunTrust Mortgage high risk areas are operating effectively. In addition, the Default & Servicing compliance/QC team will test effectiveness of Mortgage Default and Servicing regulatory controls. Each team will issue reports to management reflecting any control weaknesses noted and remediation plans will be monitored to completion. The teams are in the build-out phase and are in the process of staffing experienced, knowledgeable teammates. Additional details about each of these teams may be found in the Background, Section 1.3.

l) Legal Requirements & Supervisory Guidance

measures to ensure that policies, procedures, and processes are updated on an ongoing basis as necessary to incorporate new or changes to Legal Requirements and supervisory guidance of the Board of Governors;

Business managers are responsible for ensuring policies, procedures, and processes are updated on an ongoing basis. A Process and Procedures Management Group within Consumer Banking will be in place by first quarter 2012 to assist managers in administrative update responsibilities; however, content ownership will continue to reside with the responsible process manager.

As noted earlier, legal requirements as defined by the Consent Order cross both the compliance and operational risk disciplines. A well defined and documented process exists for federal or state regulatory changes with risk oversight provided by Compliance Risk. [REDACTED]

Risk ownership for business legal requirements compliance will be assigned to the operational risk program. Specific actions as a result of this change will include: obtaining a list of business legal requirements from Legal to facilitate a review of controls; reviewing the existing business legal requirement change process to ensure changes are effectively identified and incorporated into business processes, procedures and controls; and, expanding the Consumer Banking Operational Assurance Testing group to include testing of business legal requirement controls in mortgage.

The federal/state regulatory change process with oversight from Compliance Risk is a well documented process with clear responsibilities for communicating new or revised requirements, submission for technology changes (Business Opportunity Request), creation and/or modification of processes, and ownership for updating policies and procedures. Team representation includes Compliance, Legal, Technology, LOB, Servicing, and Default Management.

As noted in the Background, Section 1.3, the Default & Servicing Compliance/QC team has been a part of the Consumer Banking Operational & Compliance Risk team’s organizational plan since January 2010. [REDACTED]

[REDACTED] A manager for this team started June 13, 2011 and four compliance analyst job requisitions have been posted. This team will be responsible for supporting Default and Servicing from a federal/state compliance risk perspective and testing the respective controls. This team is distinct from the Operational Assurance Team that is the operational risk equivalent, and responsible for testing the effectiveness of operational risk controls, including business legal requirements.

Compliance with supervisory guidance has been implicit in our risk programs, although not specifically stated. Since supervisory guidance may impact both Compliance and Operational Risk Programs depending on the subject, both risk programs will be clarified to ensure supervisory guidance is addressed within the risk policies and Consumer Banking risk programs. Both risk disciplines own the identification, communication and partnership with the impacted business area(s) to ensure implementation, and control testing from a risk management perspective.

m) Independent Consultants Findings

The findings and conclusions of the independent consultants that were engaged by SunTrust, the Bank, or SunTrust Mortgage under paragraph 3 to review SunTrust Mortgage’s foreclosure processes.

Findings and conclusions from the independent consultants engaged as a part of Foreclosure Review, paragraphs 3, and Risk Assessment, paragraph 13, need to be evaluated and incorporated into action items provided for under the Compliance and Operational Risk Programs in paragraph 9.

1.6 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		Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
8a		Develop a Consumer Banking Operational Risk Plan that sets forth the requirements for a programmatic framework through which the Consumer Banking Line of Business will ensure the management of operational risk and compliance with policies, supervisory guidance and general laws in residential mortgage loan servicing, loss mitigation, and foreclosure activities. The plan will include coverage of the program, staffing, training, testing, and reporting.	Creation of a Consumer Banking Operational Risk Plan	August 2011
8b,c		Update Enterprise Operational Risk Policy with general business legal requirements, the role of the Legal Division in supporting ORM, the inclusion of supervisory guidance within scope.	Updated Enterprise Operational Risk Policy approved by the Risk Committee of the Board	September 2011
8b, c		Update Enterprise Compliance Policy with enhanced definition of legal requirements and the inclusion of supervisory guidance within scope.	Updated Enterprise Compliance Policy approved by the Risk Committee of the Board	September 2011



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
9a,b,d		Create a Consumer Banking Operational Risk Program document – Roles & Responsibilities; General Business Legal Risk; Supervisory Guidance, Expanded RCSA; Operational Assurance Team; Communication of Roles & Responsibilities. This extends the date of the following items in the Horizontal Foreclosure exam action items due to a change in approach: expanded RCSA approach, RCSA Pilot, staff build out for ORM, updated ORM reporting, and revised PRAC for process changes.	Updated and approved Consumer Banking Operational Risk Framework.	October 2011
9a		Establish a team and review schedule to evaluate key controls in mortgage servicing, default and foreclosure.	Develop a review schedule to evaluate key controls in mortgage servicing, default, and foreclosure.	August 2011
9a		Complete a pilot evaluation of operational controls for key MERS processes.	Report results for MERS key operational controls.	October 2011
9c		Complete an evaluation of operational controls for Mortgage payment processing.	Report results for Mortgage payments key operational controls.	December 2011
9b		Develop risk and controls awareness training program.	Rollout training program	December 2011
9c		Develop guideline to improve accountability for adding contracts to the database and defining controls to ensure completeness.	Policy Guideline over Legal Contracts Database	September 2011
9d		Complete pilot expanded RCSA approach.	Completion of first expanded Pilot RCSA evidenced by issued RCSA report.	December 2011
9a		Establish expanded RCSA review schedule for mortgage servicing, default and foreclosure.	2011 RCSA Review Schedule	August 2011
9a		Document process map for business legal requirement changes.	Process map for changes, agreed to by included parties	December 2011
9a		Obtain general business legal requirements for section 9e, f, h, i and j from Legal.	Written documentation (detailed requirements inventory) from Legal (e.g., legal reference, summary description, area affected)	December 2011

Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
9e		Schedule 2011 Default Compliance/QC Reviews (remaining) Servicing Compliance/QC review schedule already in place.	Documented QC Review Schedule for Default Compliance/QC reviews.	Complete
9m		Review Foreclosure Review findings and determine whether actions under the Compliance Program, paragraph 9, need to be revised.	Deliver revised action plan, if applicable.	60 days > Foreclosure Review Findings Delivered
9m		Review Risk Assessment findings and determine whether actions under the Compliance Program, paragraph 9, need to be revised.	Deliver revised action plan, if applicable.	September 2011

1.7 Progress Tracking

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

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

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

2. Glossary

Acronym	Definition
BRC	Risk Committee of the Board of Directors
CB	Consumer Bank
CRC	Corporate Risk Committee
LOB	Line of Business
[REDACTED]	[REDACTED] is vendor of [REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
ORM	Operational Risk Management
QC	Quality Control
RCSA	Risk and Control Self Assessment
SAS	SunTrust Audit Services
STM	SunTrust Mortgage
AOI	Affidavits of Indebtedness

3. Appendix A– STM Compliance Activities for Key Processes

To fully execute the Program, Consumer Banking relies on each business area and various risk functions to perform their duties and responsibilities to ensure compliance. SunTrust's risk governance structure and processes are founded on clear roles for the business lines, risk and independent assurance functions, each of which is critical to ensuring that risk and reward in all activities are properly identified, measured and managed. All areas working as one team, combined with individual accountability within defined roles.

- Business Managers own and are accountable for business strategy, performance, management and controls within their business units and for the identification and management of existing and emerging risks. Quality Assurance (QA) functions are organized by lines of business to identify issues prior to transactions being finalized.
- Business Risk Functions (Operational Risk and Credit) perform additional risk identification, facilitate risk assessment, design controls, perform testing, and aggregate risk information for reporting. Credit performs QC testing for loan origination and servicing for compliance with credit policy and investor guidelines.
- Corporate Risk Management (CRM) establishes overall risk policy and approves the business unit risk structure. The Legal function works with CRM and the Lines of Business to ensure SunTrust legal and regulatory adherence. Other corporate staff functions (e.g., Supply Chain Management, Enterprise Technology Risk Management, Corporate Security, Human Resources) provide subject matter expertise related to certain types of operational risk.
- Assurance functions, such as SunTrust Audit Services, Risk Review and Model Validation Group 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.

In order to be effective, all functions must work together to identify and manage risks within specific business units. Further, all teammates must have an awareness of risk in all of their actions and recognize the need to effectively manage it. This includes identification, measurement and reporting of risk at all levels of the organization so decision-making and material issues are clear to all stakeholders, including employees, management, Board of Directors, and regulators. The success of the Company's risk governance structure and processes depends upon communication and cooperation among the business lines, risk management and the assurance functions.

Enhancements are being made to strengthen the business risk management function. As previously mentioned, these enhancements include:

- Developing risk and control awareness training to help educate the business lines in their responsibilities with regards to risk management. This training will augment the existing compliance training program and will strengthen the provision for risk and compliance training throughout the organization.
- Enhancing the RCSA process with a more granular review of the processes and business information to better facilitate risk identification.
- Enhancing 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.



- Expanding Operational Assurance Team to test control effectiveness within high risk areas addressed in the Consent Order, including the addition of business legal requirements.
- Build out of the Default Compliance/Quality Control team to ensure changing federal/state regulations are identified, assessed, installed with appropriate controls, and subject to ongoing compliance testing.

These enhancements will enable a better assessment of operational risk exposure, assist with management of those risks, and strengthen risk monitoring and testing activities.

Roles PROCESS	Line of Business	Consumer Banking Compliance and Operational Risk Management and Credit QC Functions
Location and security of mortgage documents	<ul style="list-style-type: none"> • Dedicated custodian function responsible for storage and retrieval of mortgage documents. • Document Custodial Guide used to process all documents received. • Quality Control review of each file performed to ensure documentation is properly prepped and scanned prior to going to vault. • Monthly audit of quality control review to ensure guidelines are met. • Automated system, [REDACTED] used to track all files. • Separate vault maintained for each Agency's files. • Periodic reconciliation of each Agency file to [REDACTED]. 	<ul style="list-style-type: none"> • Mortgage Credit Quality Control department performs periodic review. • ORM facilitates RCSA process • Operational Assurance Team performs risk-based, periodic tests of controls
Compliance with Legal Requirements	<ul style="list-style-type: none"> • The STM Foreclosure Support Group and external foreclosure attorneys are used to ensure assertions made and related foreclosure documentation are 	<ul style="list-style-type: none"> • ORM facilitates RCSA process • Operational Assurance Team to perform risk-based, periodic tests of controls in place to ensure compliance



Roles	Line of Business	Consumer Banking Compliance and Operational Risk Management and Credit QC Functions
PROCESS		
	<p>accurate, complete, and reliable</p> <ul style="list-style-type: none"> • Documented procedures have been established to provide direction to Foreclosure teammates • A signing workshop is conducted to ensure information provided is notarized according to applicable legal requirements 	<p>with legal requirements</p>
<p>Timeliness and application of payments</p>	<ul style="list-style-type: none"> • A vendor is used to process standard lockbox payments within established SLAs • Documented procedures are referenced to ensure payments are applied in accordance with applicable legal instruments and reports are reviewed to ensure timeliness of processing. • Management reports are monitored to ensure timeliness of payment processing 	<ul style="list-style-type: none"> • Consumer Banking Compliance performs testing of compliance with requirements concerning fees. • ORM facilitates RCSA process • Operational Assurance Team performs risk-based, periodic tests of controls
<p>Contractual obligations to mortgage owners</p>	<ul style="list-style-type: none"> • STM stays current with Investor requirements through ongoing updates from investors • STM receives performance scorecards measuring contractual compliance. These are monitored to identify trends requiring action. 	<ul style="list-style-type: none"> • ORM facilitates RCSA process • Operational Assurance Team performs risk-based, periodic tests of controls • Mortgage Credit Quality Control test for compliance with investor guidelines.
<p>Contractual limitations regarding fees and expenses</p>	<ul style="list-style-type: none"> • [REDACTED] and [REDACTED] are used to ensure compliance with imposition of fees, charges and expenses within the underlying note, mortgage, and other customer authorized activities. 	<ul style="list-style-type: none"> • ORM facilitates RCSA process • Operational Assurance Team performs risk-based, periodic tests of controls



Roles PROCESS	Line of Business	Consumer Banking Compliance and Operational Risk Management and Credit QC Functions
Foreclosure sales and post-sale confirmation	<ul style="list-style-type: none"> Established procedures are referenced to ensure foreclosures are processed in accordance with terms of mortgage loan and applicable legal requirements Information prepared is subject to multiple levels of review Foreclosure Attorneys are used to ensure compliance with legal requirements 	<ul style="list-style-type: none"> ORM facilitates RCSA process Operational Assurance Team performs risk-based, periodic tests of controls
Bankruptcy law requirements	<ul style="list-style-type: none"> Bankruptcy specialists monitor accounts and communicate with counsel to ensure compliance with bankruptcy law requirements. ██████ software is used to search national databases to identify, monitor and manage changes in bankruptcy case files. Quality control reviews are performed three times per week to sample 5% of files for correct stops. 	<ul style="list-style-type: none"> ORM facilitates RCSA process Operational Assurance Team to perform risk-based, periodic tests of controls
Update of policies, procedures, and processes in accordance with new or changes to Legal Requirements and supervisory guidance of Board of Governors	<ul style="list-style-type: none"> Process management team provides centralized function to update procedures when changes occur 	<ul style="list-style-type: none"> Corporate policy on policies and procedures established to govern policy and procedure updates Operational Assurance Team performs risk-based, periodic tests of controls and process management team functions

4. Appendix B– Consumer Banking Supplier Management Procedures