

Consent Order Response –  
Third Party Management (Section 7)

# Consent Order Response

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## Third Party Management

(Consent Order Section 7)

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# 1. Third Party (“Vendor”) Management

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## 1.1 Overview

### *About SunTrust and SunTrust Mortgage*

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

### *The SunTrust Mortgage Program*

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

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

#### *Strategy and Leadership*

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

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

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

#### *Originations*

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

#### *Servicing and Default*

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

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

#### *The SunTrust Consent Order Response Program*

SunTrust's Consent Order became effective on April 13, 2011. In anticipation of the Order, SunTrust created a formal program organization, comprised of individual working teams for each section of the Consent Order, to respond to the concerns and actions cited in the Order. A senior executive from SunTrust was designated as the sponsor for each working team and another executive was identified as the program lead for each

working team. The overall program sponsor is [REDACTED] Corporate Executive Vice President and Head of Consumer Banking. The program executive manager and day-to-day supervisor is [REDACTED] Senior Vice President, Consumer Banking Administration. Both have significant experience in leading large, transformational programs. Not including the independent third parties engaged to perform the Risk Assessment and Foreclosure Review, more than fifty dedicated resources have been focused on the Consent Order.

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

## 1.2 Work Stream Overview

The SunTrust Third Party ("Vendor") Management program for Foreclosure, Loss Mitigation and Loan Servicing will provide oversight and management of third-party providers that are engaged in business activities on behalf of SunTrust Mortgage. The Vendor Management ("VM") program is designed to provide 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.

Within the context of this document the terms *vendor*, *supplier*, and *third party provider* refer to any independent contractor, consulting firm, property manager, local counsel in foreclosure or bankruptcy proceedings, or other third party (including any subsidiary or affiliate of SunTrust Bank) engaged by SunTrust Mortgage for the outsourcing of any residential mortgage Loss Mitigation, Foreclosure or Loan Servicing functions.

## 1.3 Background

The Federal Reserve and other bank regulators conducted a Horizontal Foreclosure Review in Q4 2010. Matters Requiring Attention ("MRA") and Matters Requiring Immediate Attention ("MRIA") arising from the Horizontal Foreclosure Review prompted Default to begin to develop a comprehensive process for managing vendors. SunTrust's response to the Horizontal Foreclosure Review acknowledged the need to develop a comprehensive vendor management program for our foreclosure process. This process will include regular reviews of the third-party controls related to accuracy, privacy, business continuity plans and financial viability, including appropriate oversight of the outside law firms' work product.

The following actions related to the third party management requirements of the Horizontal Foreclosure Review were completed between January 31, 2011 and May 23, 2011:

- All currently engaged foreclosure and bankruptcy firms have signed formal contracts/agreements to provide services for SunTrust Mortgage.
- SunTrust engaged a third party on a pilot basis to conduct compliance audits of four law firms that handle foreclosure matters on behalf of SunTrust Mortgage. The audit scope included overall management, accountability, scalability and performance response. The pilot audits have been completed and the final reports were issued.
- Results of the pilot compliance audit program were shared with SunTrust Audit Services (“SAS”), SunTrust Legal, SunTrust Default Management, SunTrust Corporate Risk Management and SunTrust Consumer Banking leadership.
- SunTrust Mortgage has entered into a contingent agreement with a third party to collaborate on the possible development of a balanced scorecard to measure performance and confidence ratings for foreclosure law firms.
- An addendum to the agreement between SunTrust Mortgage and the foreclosure law firms has subsequently been executed by SunTrust and all foreclosure law firms.
- SunTrust Default Management has appointed a senior default manager to have full-time responsibility for the implementation and ongoing oversight of the Default vendor management program.
- SunTrust Consumer Banking Risk Management has hired a full-time senior manager to develop, support and oversee vendor management activities in the line of business (including Foreclosure, Loss Mitigation and Loan Servicing).
- A SunTrust team was formed to address the specific Mortgage Electronic Registration System (“MERS”) vendor management issues cited in the Horizontal Review and the Consent Order.

The following Horizontal Foreclosure Review activities are in progress:

- SunTrust Consumer Banking Risk Management has enlisted SunTrust Supply Chain Management (“SCM”) to assist with the development of a comprehensive vendor management program for SunTrust Default Management. Team meetings began in April 2011 and have continued as the team executes the work plan to build out the program.
- SunTrust Consumer Banking Risk Management has developed the initial framework for the SunTrust Mortgage Default Vendor Management program.
- The Default Vendor Team, in conjunction with SunTrust Audit Services and SunTrust Legal, is evaluating an additional engagement with a third party to determine how to incorporate findings from the pilot compliance audit program into the vendor management process.
- An addendum to the agreement between SunTrust Mortgage and the bankruptcy law firms has been sent to the bankruptcy firms, and SunTrust Mortgage is monitoring the return of the executed documents.

## **1.4 Consent Order**

7. Within 60 days of this Order, the Bank and SunTrust Mortgage shall submit to the Reserve Bank acceptable policies and procedures for the outsourcing of any residential mortgage servicing, Loss Mitigation, or foreclosure functions, by SunTrust Mortgage to any independent contractor, consulting firm, law firm, property manager, or other third party (including any subsidiary or affiliate of SunTrust) (collectively, “Third-Party Providers”). Third-Party Providers include local counsel in foreclosure or bankruptcy proceedings retained to represent the interests of owners of mortgages in the Servicing Portfolio (“Foreclosure Counsel”). The policies and procedures shall, at a minimum, address, consider, and include:

- (a) Appropriate oversight of Third-Party Providers to ensure that they comply with the Legal Requirements, supervisory guidance of the Board of Governors, and the Bank's and SunTrust Mortgage's policies and procedures;
- (b) processes to prepare contingency and business continuity plans that ensure the continuing availability of critical third-party services and business continuity of SunTrust Mortgage, consistent with supervisory guidance of the Board of Governors, both to address short-term and long-term service disruptions and to ensure an orderly transition to new service providers should that become necessary;
- (c) measures to ensure that all original records transferred by SunTrust Mortgage to Third-Party Providers (including the originals of promissory notes and mortgage documents) remain within the custody and control of the Third-Party Provider (unless filed with the appropriate court or the loan is otherwise transferred to another party), and are returned to SunTrust Mortgage or designated custodians at the conclusion of the performed service, along with all other documents necessary for SunTrust Mortgage's files;
- (d) measures to ensure the accuracy of all documents filed or otherwise utilized on behalf of SunTrust Mortgage 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, including, but not limited to, documentation sufficient to establish ownership of the note and right to foreclose at the time the foreclosure action is commenced;
- (e) processes to perform appropriate due diligence on potential and current Third-Party Provider qualifications, expertise, capacity, reputation, complaints, information security, document custody practices, business continuity, and financial viability; and measures to ensure the adequacy of Third-Party Provider Staffing levels, training, work quality, and workload balance;
- (f) processes to ensure that contracts provide for adequate oversight, including requiring Third-Party Provider adherence to SunTrust Mortgage foreclosure processing Standards, measures to enforce Third-Party Provider contractual obligations, and processes to ensure timely action with respect to Third-Party Provider performance failures;
- (g) processes to ensure periodic reviews of Third-Party Provider work for timeliness, competence, completeness, and compliance with all applicable Legal Requirements, and SunTrust Mortgage's contractual obligations to Government Sponsored Enterprise (GSEs) and investors, and to ensure that foreclosures are conducted in a safe and sound manner;
- (h) processes to review customer complaints about Third-Party Provider services;
- (i) a review of fee Structures for Third-Party Providers to ensure that the method of compensation considers the accuracy, completeness, and legal compliance of foreclosure filings and is not based solely on increased foreclosure volume or meeting processing timelines; and
- (j) a periodic certification process for law firms (and recertification of existing law firm providers) that provide residential mortgage foreclosure and bankruptcy services for the Mortgage Servicing Companies as qualified to serve as Third-Party Providers to SunTrust Mortgage, including that attorneys are licensed to practice in the relevant jurisdiction and have the experience and competence necessary to perform the services requested.

## **1.5 Analysis**

SunTrust conducted a gap analysis of current vendor management practices within its Foreclosure and Loss Mitigation business units versus the Consent Order Section 7 requirements and existing enterprise-level policies and procedures. The analysis indicated that SunTrust currently has relevant and applicable policies,

frameworks, and procedures within the Supply Chain Management (“SCM”) and Enterprise Technology Risk Management (“ETRM”) corporate business units. [REDACTED]

[REDACTED] SunTrust recognized the need to develop more expansive vendor management governance procedures and activities within the Consumer Banking line of business. Reference Section 1.5 (“Approach”) for information on the approach being taken to improve vendor management within the targeted Consumer Banking business units.

## 1.6 Approach

SunTrust will develop, document and implement a structured program for the management of third party providers for Foreclosure, Loss Mitigation and Loan Servicing. The program will address the requirements established in the Federal Reserve Consent Order (“Order”). Our approach to developing the program involves the assessment of current practices and gaps to the Order; identification and prioritization of key vendors for prioritized business units; evaluation of relevant existing policies, procedures and requirements issued by other SunTrust business units (e.g., Supply Chain Management (“SCM”) and Enterprise Technology Risk Management (“ETRM”)); development of the formal Consumer Banking vendor management policy; drafting of default vendor procedures; and creation of a comprehensive timeline for implementation. This approach is more thoroughly described in the following paragraphs.

SunTrust began by analyzing and defining key areas of focus, including the primary business areas and third party providers. Priority business units identified are Foreclosure, Loss Mitigation, Loan Servicing, and Bankruptcy (attorneys). Criteria defined to prioritize vendors within the prioritized business units follow:

- Attorneys that Foreclosure, Loss Mitigation, Loan Servicing and Bankruptcy have engaged to execute foreclosure and/or bankruptcy legal activities
- Other vendors that Foreclosure, Loss Mitigation and Loan Servicing have engaged to execute foreclosure, loss mitigation and/or bankruptcy activities
- Vendors that provide information to the Foreclosure, Loss Mitigation and Loan Servicing units that influences the decision to foreclose
- Vendors that have direct client interaction throughout the loss mitigation, foreclosure and/or loan servicing processes
- Vendors not elsewhere classified

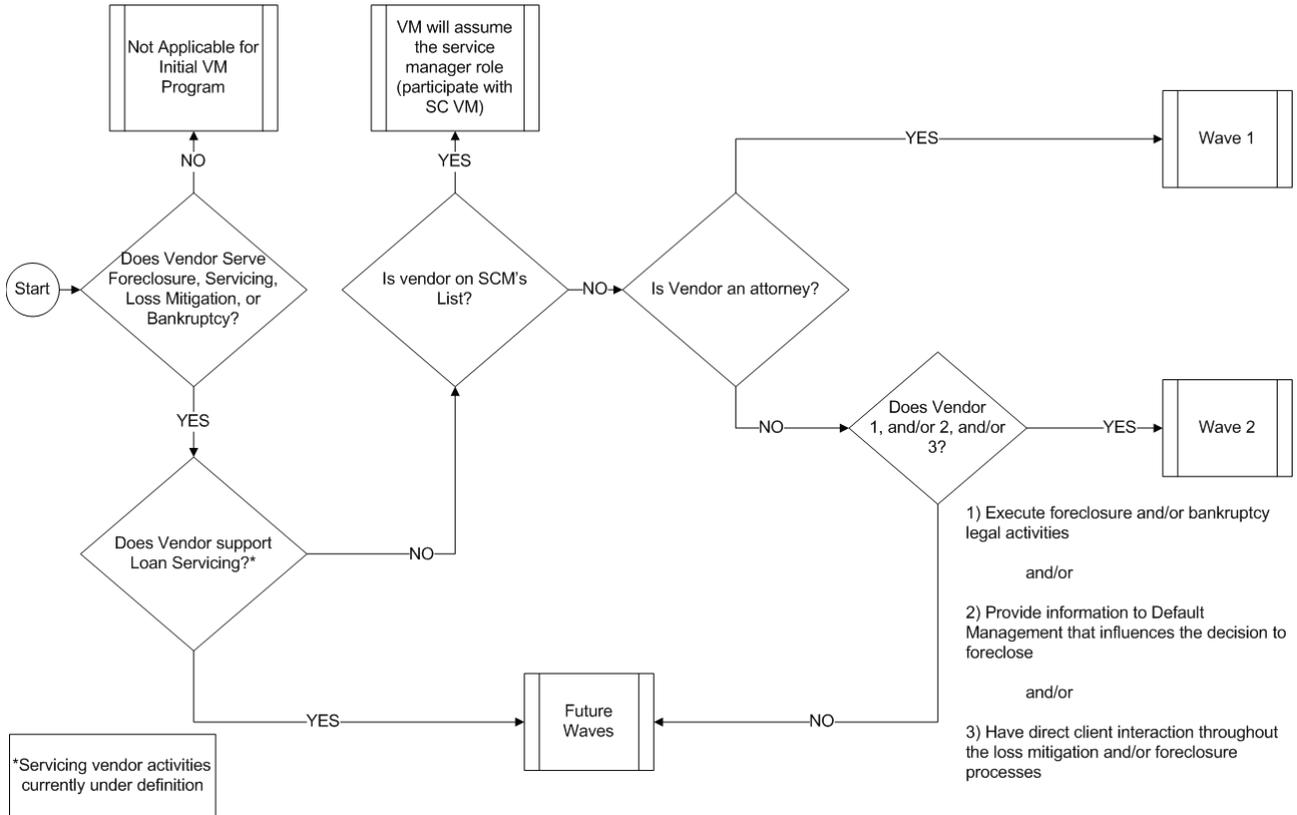
SunTrust established a multi-function project team and scheduled daily meetings with the core team, weekly meetings with the extended team and as-needed review meetings and checkpoints. The multi-function team is comprised of senior managers and staff from the following departments:

- SunTrust Consumer Banking Risk Management
- SunTrust Default Management
- SunTrust Supply Chain Management (“SCM”)
- SunTrust Enterprise Technology Risk Management (“ETRM”)
- SunTrust Legal

SunTrust assessed the current state of vendor management within the impacted business units based on Consent Order requirements to identify gaps. Results of the assessment informed the project team as it developed the implementation plan and timeline.

SunTrust will identify and prioritize vendor population categories through the method depicted below:

**Figure 1**



SunTrust has enlisted SCM and the Enterprise Information Services (“EIS”) – ETRM group to identify current policies, practices and supporting documentation that can be leveraged for the Default vendor program. Examples include:

- SunTrust SCM
  - Procurement Policy
  - Supplier Relationship Management Playbook
  - Master Service Agreements
- SunTrust ETRM
  - Business Continuity Policy
  - Enterprise Records and Information Management Policy
  - Information Security Policy
  - Corporate Security Policy

SunTrust has developed a detailed task schedule and timeline to implement the vendor management program in the defined business units. The detailed schedule outlines the high level activities, timeline and

resources needed to define and implement the vendor management program. The schedule presented is dynamic; that is, the timeline will continue to be refined and detailed tasks will be added to each section as the business begins to drill down into the higher level tasks currently outlined.

SunTrust will define, develop, document and implement both policy and procedures for the SunTrust Mortgage vendor management program. The Consumer Banking Vendor Management Policy (i.e., VM Program Document), will define the requirements, processes, expectations, and authorities for engaging, managing, and terminating vendor relationships controlled by the Foreclosure, Loss Mitigation, Loan Servicing and Bankruptcy business units.

The Vendor Management Procedures will define the vendor management processes, workflows, high-level activities, and stakeholders involved in the vendor management process.

SunTrust will also ensure that MERS is subject to all relevant requirements of the Consumer Banking vendor management program, as specified in the Order.

## **1.7 Accomplishments to Date**

The following actions related to the third party management requirements of the Consent Order were completed between April 13, 2011 and May 23, 2011:

- Conducted six full-day workshops with SunTrust Mortgage Default subject matter experts (“SMEs”), daily meetings with project team, weekly meetings with extended project team and two detailed management review meetings
- Finalized prioritization of vendor population categories for Foreclosure and Loss Mitigation
- Provided applicable vendor list to SunTrust Legal for Consent Order Section 26 analysis and determined no impact based on requirements
- Initiated staffing of Default Vendor Management team by filling one open position; additional resources to be hired
- Partnered with SunTrust SCM to review current vendor management processes
- Partnered with SunTrust ETRM to review current information security and business continuity processes for vendors
- Identified need for a vendor management software tool and consulted with SunTrust SCM on possible alternatives
- Developed a detailed task list and timeline to implement a comprehensive vendor management program in the Foreclosure, Loss Mitigation and Loan Servicing areas of SunTrust Mortgage
- Defined and developed Consumer Banking Vendor Management policy (“Program Document”)
- Gathered existing vendor management procedure documentation
- Partnered with ETRM to review current records management processes for vendors
- Defined and developed Vendor Management process flows and procedures
- Completed execution process for contract addendums for bankruptcy attorneys

## 1.8 In-progress Activities

The following vendor management program development activities are in progress:

- Conduct high level Vendor Management software tool requirements session, evaluate Vendor Management software tools and select appropriate software
- Initiate Loan Servicing Vendor Management workshops
- Implement the Client Response Team (CRT) program, which includes the process for addressing client complaints related to third party providers
- Develop performance scorecard for foreclosure attorneys
- Identify human and other resource requirements needed to execute implementation plan, including:
  - Internal staffing – Build staffing models; recruit and hire
  - External staffing (e.g., consultants, temporary staff augmentation, outsourcing firms)
  - Standard and detailed level procedure writers (internal and/or external)
  - Technology – Staff support and software
  - Office space and related equipment (e.g., telephones, computers)
  - Training (e.g., developers, trainers, subject matter experts)

## 1.9 Description of Action Plan

SunTrust Consumer Banking Risk has developed an action plan to define, develop, document, and implement a Vendor Management Program for Foreclosure, Loss Mitigation, Loan Servicing and Bankruptcy (attorneys). This plan addresses the development of a vendor management policy (“Program Document”) and vendor management procedures. The plan also defines a detailed timeline of tasks necessary to implement a comprehensive vendor management program within the prioritized business units of Foreclosure and Loss Mitigation. An action plan for Loan Servicing – with similar implementation tasks and an appropriate timeline – will launch Q3 2011 with implementation expected to conclude by Q1 2012.

Section 1.7.1 details five key milestones within our plan to address the ten provisions of Section 7, Third Party Management, of the Order. The milestones are listed below:

- Define Default Vendor Management Policy
- Define Default Vendor Management Procedures
- Develop Scorecard for Third Party Vendor Performance
- Implement Default Management Client Response Team (CRT)
- Launch Operational Excellence Team

SunTrust will consider any potential change to these milestones as subject to Federal Reserve prior written approval according to Section 19(c) of the Order.

### **Consumer Banking Vendor Management Policy (“Program Document”)**

The Consumer Banking Vendor Management Policy (“Program Document”) will set guidelines for managing third party providers with the rigor and discipline appropriate to the nature and risk of functions outsourced to each vendor. The program document will establish the requirements, processes, expectations, and authorities for engaging, managing and terminating vendor relationships controlled by the line of business. The program document has been prioritized for the following business units:

- Foreclosure

- Loss Mitigation
- Bankruptcy (attorneys only)
- Loan Servicing

The program document will align with relevant enterprise policies issued by SunTrust SCM and EIS ETRM, and in the event of conflict, the SCM or EIS ETRM enterprise policy will prevail.

The program document will define the framework and governance structure for the Consumer Banking Vendor Management Program, along with the roles, responsibilities, and authorities of vendor management staff.

Additionally, the program document will define the following Consumer Banking Vendor Management Program elements:

- Risk Tiers
  - Rating Definition
  - Rating Criteria
  - Exceptions
- Documentation
  - Custody of original SunTrust documents
  - Accuracy of documents filed on SunTrust's behalf
- Controls and Oversight
  - Compliance with legal requirements, Federal Reserve guidance, and SunTrust policies/procedures
  - Contractual obligation to adhere to SunTrust Mortgage foreclosure standards
  - Periodic review of vendors
  - Due diligence requirements
  - Fee structures
  - Law firm certification process
  - Client/customer complaints about third party providers
  - Contingency and business continuity planning (both SunTrust and vendor plans; integrated with EBCM Program)
  - Information security (integrated with ETRM Information Security Program)
  - Records management (integrated with ERIM Program)
- Vendor manager training

### **Default Vendor Management Procedures**

The definition and development of Default vendor management procedures will address high level workflows and business processes. The procedures will include the following:

- Stakeholders: Parties who have a vested interest or are impacted by the actions taken by the Vendor Management program and the resulting effects
- Activities: Vendor management high level process activities to be executed by VM program stakeholders
- Sequence of Activities: Order in which the vendor management activities must be executed
- Inputs/Outputs: The specific deliverables that must be produced as the output of defined activities, as well as the deliverables that must be produced as inputs to defined activities

- Decision Points: The specific points in the Vendor Management process in which a vendor manager must use his or her judgment to suggest a specific course of action for that vendor
- Artifacts: All of the documents/deliverables that must be produced for a complete record of the Vendor Management process for each vendor; may include checklists, scorecards, service level agreements, contracts, performance assessments, and other records

### 1.9.1 Action Plan

- (a) *Appropriate oversight of Third-Party Providers to ensure that they comply with the Legal Requirements, supervisory guidance of the Board of Governors, and the Bank's and SunTrust Mortgage's policies and procedures;*

In the Corporate hierarchy, the SunTrust enterprise vendor management program is managed by SunTrust SCM and provides oversight for third party vendors defined as “critical” or “collaborative” according to SCM ratings criteria. Per SCM guidelines, if a vendor is managed at the SCM level, the Line of Business (“LOB”) participates in vendor management activities in a supporting capacity with active management led by SCM.

SunTrust Consumer Banking Risk will develop a Vendor Management Policy (“Program Document”) that outlines oversight objectives as well as roles and responsibilities for the management of SunTrust Mortgage Default and Servicing third party vendors that are not managed by SCM. The Program Document will define vendor management governance standards to ensure that oversight and compliance requirements with respect to regulations, guidelines, and SunTrust policies and procedures are met. SCM governance will be leveraged to define Consumer Banking Vendor Management Program Governance.

SunTrust Consumer Banking Risk will develop Default Vendor Management Procedures that will define oversight processes including controls and checkpoints to ensure compliance with regulations, guidelines, and SunTrust policies and procedures.

- (b) *processes to prepare contingency and business continuity plans that ensure the continuing availability of critical third-party services and business continuity of SunTrust Mortgage, consistent with supervisory guidance of the Board of Governors, both to address short-term and long-term service disruptions and to ensure an orderly transition to new service providers should that become necessary;*

The EIS Enterprise Business Continuity Management (“EBCM”) program within the Enterprise Business Continuity and Information Assurance (“EBCIA”) department creates, maintains, and oversees company-wide policies, standards, and procedures necessary to meet the business continuity needs of the company and to ensure compliance with all applicable laws and regulations. Governing authority for business continuity is vested in the EBCIA department and is executed through the EBCM program.

With respect to Default vendors, SunTrust Mortgage will review and modify its existing business continuity and contingency plans to ensure the continued availability of critical services, address short- and long-term service disruptions, and ensure smooth transition to new service providers.

The Consumer Banking Vendor Management Program will align and leverage the EBCM policy and procedures in order to ensure contingency and business continuity plans are in place for Default vendors. The processes for business continuity will be documented as part of the Default Vendor Management Procedures.

- (c) *measures to ensure that all original records transferred by SunTrust Mortgage to Third-Party Providers (including the originals of promissory notes and mortgage documents) remain within the custody and control of the Third-Party Provider (unless filed with the appropriate court or the loan is otherwise transferred to another party), and are returned to SunTrust Mortgage or designated custodians at the conclusion of the performed service, along with all other documents necessary for SunTrust Mortgage's files;*

Vendors managed by SCM (i.e., vendors rated “critical” or “collaborative”) are subject to Master Service Agreements (“MSAs”) that contain requirements for Confidentiality of Proprietary Information and Information Security. SunTrust will perform a review of any non-standard MSAs to ensure comparable clauses exist and take action to address any deficiencies.

The Consumer Banking Vendor Management Program will develop the appropriate policies and procedures to ensure the correct and proper handling of records. SunTrust Default Management will review and strengthen existing measures to ensure records transferred to vendors are properly controlled by the vendors and are returned when the need for vendor retention ends. Listed below are the existing measures in place:

- Document physical security location (e.g., fireproof cabinet)
- Provisions for collateral documentation
- Inventory tracking

The Consumer Banking Vendor Management Program will also leverage existing SCM and EIS policies, procedures and tools to define measures for document transfer and custody.

- (d) *measures to ensure the accuracy of all documents filed or otherwise utilized on behalf of SunTrust Mortgage 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, including, but not limited to, documentation sufficient to establish ownership of the note and right to foreclose at the time the foreclosure action is commenced;*

Document preparation activities are completed in-house by SunTrust Default Management; these activities are not outsourced. In response to the Horizontal Foreclosure review, SunTrust Mortgage Default has engaged in the following actions that relate to the Consent Order document accuracy requirements:

- Adopted [REDACTED] automated affidavit preparation script
- Implemented daily signing workshops at the management level for all document signatories
- Conducted training and are documenting procedures that outline how to fully identify the note owner and determine the right to foreclose

SunTrust Mortgage Default expects legal services vendors to validate the results of these measures. As part of the program rollout, SunTrust will ensure performance measurement procedures exist to hold legal services vendors accountable for validating the accuracy of documents.

The Consumer Banking Vendor Management Program will establish policies and procedures to ensure the accuracy of all documents filed or utilized by SunTrust Mortgage (or investors in the servicing book), leveraging existing policies and procedures where applicable.

- (e) *processes to perform appropriate due diligence on potential and current Third-Party Provider qualifications, expertise, capacity, reputation, complaints, information security, document custody practices, business continuity, and financial viability; and measures to ensure the adequacy of Third-Party Provider staffing levels, training, work quality, and workload balance;*

The SunTrust SCM Strategic Sourcing unit is responsible for all vendor due diligence and has policies and procedures in place for due diligence activities. SunTrust Default Management will review, align and leverage the SCM Strategic Sourcing procedures for due diligence on potential and current vendors to ensure that the procedures address vendor qualifications, expertise, capacity, reputation, complaints, information security, document custody practices, business continuity, and financial stability, as well as vendor staffing levels, training, work quality and workload balance. Any policy or procedural deficiencies noted will be reconciled with SCM Strategic Sourcing through modifications to Strategic Sourcing procedures or inclusion in the Default vendor management procedures.

SunTrust has a designated Information Security Program within ETRM. ETRM creates, maintains, and oversees company-wide policies, standards, and procedures necessary to meet the information security needs of the company and to ensure compliance with information security related laws and regulations. Governing authority for information security is vested in ETRM and is executed through the Information Security Program.

For default vendors that have not been previously identified under the SunTrust Information Security Program, SunTrust Default Management will communicate these findings to ETRM to ensure appropriate coverage through the existing program. The Consumer Banking Vendor Management Program will align and leverage the Information Security policy and procedures in order to ensure appropriate information security controls are in place for default vendors.

SunTrust has a designated Records Management Program within ETRM – Enterprise Records and Information Management (“ERIM”). ETRM creates, maintains, and oversees company-wide policies, standards, and procedures necessary to meet the record retention needs of the company and to ensure regulatory compliance. Governing authority for records is vested in ETRM and is executed through the ERIM Program. The Consumer Banking Vendor Management Program will leverage the existing SunTrust program.

- (f) *processes to ensure that contracts provide for adequate oversight, including requiring Third-Party Provider adherence to SunTrust Mortgage foreclosure processing standards, measures to enforce Third-Party Provider contractual obligations, and processes to ensure timely action with respect to Third-Party Provider performance failures;*

SCM has established an enterprise vendor management program that provides oversight for third party vendors defined as “critical” or “collaborative” according to SCM program ratings criteria.

For Default and Servicing third party providers that are not rated “critical” or “collaborative” by SCM, SunTrust Consumer Banking Risk will develop vendor management guidelines for oversight of the vendor, including requiring adherence to SunTrust foreclosure processing standards, enforcing vendor contractual performance, and enabling timely action in the event of performance failures. SunTrust Legal will be engaged and have input into attorney contract management for legal services vendors. SunTrust Default Supply Managers and Service Managers will be responsible for providing adequate oversight of the contracts.

The Consumer Banking Vendor Management Program will align and leverage the SCM policy, procedures and tools to provide contract oversight. Vendor Management procedures for contract oversight may include review of performance and scorecards, compliance with requirements, and use of standardized contracts (containing language requiring vendors to comply with all applicable laws).

- (g) *processes to ensure periodic reviews of Third-Party Provider work for timeliness, competence, completeness, and compliance with all applicable Legal Requirements, and SunTrust Mortgage’s contractual obligations to Government Sponsored Enterprise (GSEs) and investors, and to ensure that foreclosures are conducted in a safe and sound manner;*

SunTrust SCM has policies and procedures in place regarding periodic review processes for third party vendors. The Consumer Banking vendor management program will align and leverage the SCM policy, procedures and tools to define review processes for Default and Servicing vendors.

The developed policy will define guidelines for periodic reviews of vendor work for timeliness, competence, completeness, and legal compliance. Guidelines will establish appropriate rigor for periodic reviews based on risk.

- (h) *processes to review customer complaints about Third-Party Provider services;*

Two SunTrust business units currently review customer complaints: Executive Services Office (“ESO”) and SunTrust Mortgage First Aide. ESO centrally manages escalated client complaints received from the Federal Reserve Bank, State and Federal Officials, and SunTrust Mortgage Office of the President for all LOBs including Default. This team is dedicated to receiving, tracking, and resolving client issues by engaging Subject Matter Experts (“SMEs”) from each LOB. SunTrust Mortgage’s First Aide unit provides a centralized team for the resolution of mortgage servicing client complaints.

SunTrust prioritizes prompt response for client complaints, as evidenced by the *Client First* focus in its “Play to Win” corporate strategy. [REDACTED]

SunTrust will establish the Default Management Client Response Team (“CRT”) that will intake, identify, and aide in the resolution of all Default-related client complaints, including those involving vendors.

The CRT is one component of a larger Default Operational Excellence team that will manage all client escalations; build a robust reporting and analytics/process team to identify root cause of client complaints; and align quality control in order to encompass changes in processes, training, and communication.

In addition to the CRT, SunTrust will launch an Operational Excellence Process Improvement team that will identify issues that are the source of customer complaints including, but not limited to: process, system, and/or training. Appropriate parties will be assembled to ensure corrective action is methodical and resolute.

- (i) *a review of fee structures for Third-Party Providers to ensure that the method of compensation considers the accuracy, completeness, and legal compliance of foreclosure filings and is not based solely on increased foreclosure volume or meeting processing timelines; and*

There are fee structure procedures currently in place that SunTrust Mortgage Default follows. SunTrust’s bill presentment system has controlled, automated allowable fee limits for all Default vendors embedded within the system. Attorney fee limits within the system are based on industry published standards. SunTrust Default Management will continue to manage the system vendor to ensure fees and fee controls are accurate.

The due diligence process that will be implemented as part of the Vendor Management Program will require pre-engagement and periodic reviews of vendor fee structures to ensure the method of compensation considers the quality of work product and is not based exclusively on volume or speed of delivery.



- (j) a periodic certification process for law firms (and recertification of existing law firm providers) that provide residential mortgage foreclosure and bankruptcy services for the Mortgage Servicing Companies as qualified to serve as Third-Party Providers to SunTrust Mortgage, including that attorneys are licensed to practice in the relevant jurisdiction and have the experience and competence necessary to perform the services requested.

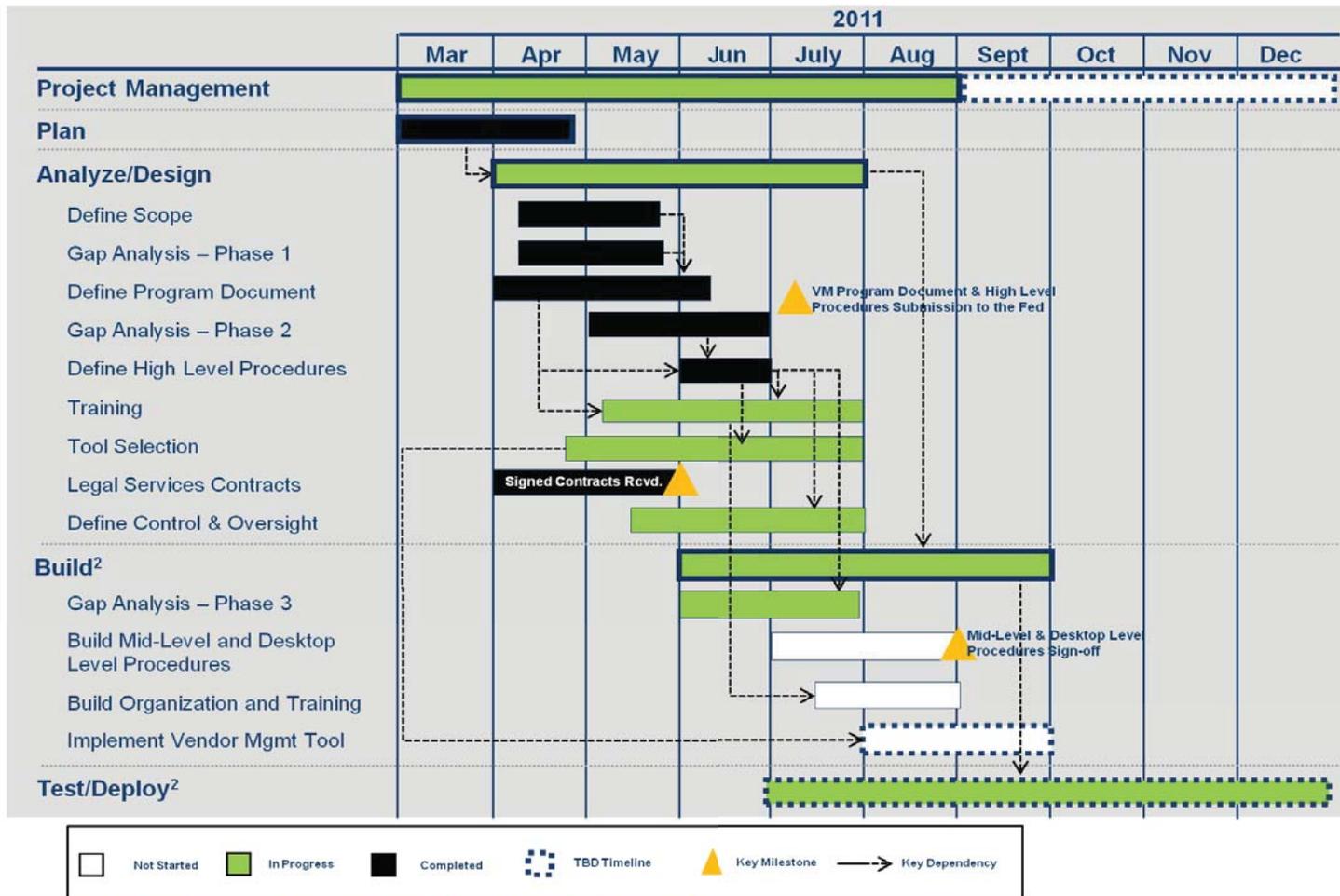
SCM currently has policies and procedures in place regarding periodic review certification for third party vendors. Leveraging these policies and procedures where applicable, SunTrust Mortgage will establish a process that certifies foreclosure and bankruptcy law firms as qualified vendors for SunTrust Mortgage; that confirms attorneys are licensed to practice in their respective jurisdictions; and that attorneys have the relevant experience and competence. In addition to this process, the Consumer Banking Vendor Management Program will establish guidelines for the method and frequency of certification of law firms.

**Key Milestones**

In accordance with section 19(c) of the Order, SunTrust will not amend or rescind any of the key milestones described below without the prior written approval of the Federal Reserve.

Assigned To	Action Item/Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)	Status
	Define Default Vendor Management Policy	Approved and Submitted Default Vendor Management Policy	July 2011	Complete
	Define Default Vendor Management Procedures	Approved and Submitted Default Vendor Management Procedures	July 2011	Complete
	Implement Client Response Team (CRT)	Deployed CRT Team	July 2011	In Progress
	Launch Operational Excellence Process Improvement Team	Deployed Operational Excellence Process Improvement Team	August 2011	In Progress
	Develop Scorecard for Third Party Vendor Performance	Defined Performance Scorecard	August 2011	In Progress

### 1.9.2 Vendor Management – High Level Timeline<sup>1</sup>



<sup>1</sup> Timeline applies to Foreclosure and Loss Mitigation. Loan Servicing activities will begin Q3 2011 and are expected to end Q1 2012

<sup>2</sup> Build and Test/Deploy Activities have already begun for some tasks

## **1.10 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 Third Party 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. Glossary

Acronym/Word	Definition
<b>Collaborative Supplier</b>	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.
<b>Critical Supplier</b>	Supplier is operationally critical to the corporation. The supplier is highly integrated into our business as it provides multiple products and services to multiple LOBs, Functions or business units, may have access to client data, and provide critical products or services to our organization
<b>CRT</b>	Client Response Team
<b>GSE</b>	Government Sponsored Enterprise
<b>EBCIA</b>	Enterprise Business Continuity and Information Assurance
<b>EBCM</b>	Enterprise Business Continuity Management
<b>EIS</b>	Enterprise Information Services
<b>ERIM</b>	Enterprise Records and Information Management
<b>ESO</b>	Executive Services Office
<b>ETRM</b>	Enterprise Technology Risk Management
█	█
<b>LOB</b>	Line of Business
<b>MERS</b>	Mortgage Electronic Registration System
<b>MRA</b>	Matters Requiring Attention
<b>MRIA</b>	Matters Requiring Immediate Attention
<b>MSA</b>	Master Service Agreement
<b>SAS</b>	SunTrust Audit Services
<b>SCM</b>	Supply Chain Management
<b>SME</b>	Subject Matter Expert
<b>VM</b>	Vendor Management