



Seller Guide Update



SEL-2020-071: Multiple Topics

August 21, 2020

- Correspondent Lending
- Housing Finance Agency (HFA)

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Summary



The following items have recently been updated in the U.S. Bank Correspondent Seller and HFA Division Lending Guides, specific to Loan Delivery, Underwriting and Credit Policy.

U.S. Bank Correspondent Seller and HFA Division Lending Guides

Unless notated within each section as Correspondent only policy or based on product availability such as Portfolio products available only in Correspondent, these updates are applicable to both our Correspondent and HFA lenders. The respective sections of the U.S. Bank Correspondent Seller and HFA Division Lending Guides are included in each section. This communication serves to announce changes and updates including an effective date. Always review the U.S. Bank Correspondent Seller and HFA Division Lending Guides for the most current policy. Guidelines are updated with the information in this communication and should be referred to instead of the communication for guidance.

Underwriting, Delivery, and Product Grids

For overall ease of use, we have enhanced our communications to now include underwriting and delivery method checkboxes to each section when applicable. You'll also find a new grid that outlines the applicable products.

Effective Date

Immediately unless otherwise noted within each section below.

Keeping you informed

U.S. Bank continues to closely monitor the ever-changing landscape of our business as a result of the impacts of the coronavirus (COVID-19).

For information about our ongoing work to support our lending partners and customers, we invite you to visit our Correspondent/HFA COVID-19 Resource Page within AllRegs for regular updates and the most current information. We know you have many questions and we are diligently working to address each of them. We have developed a list of [COVID-19 Frequently Asked Questions](#) and will continue to update this document on a regular basis to keep you informed of process and policy updates.

For additional information about our ongoing work to support customers, we invite you to visit [U.S. Bank's COVID-19 support site](#) for regular updates and the most current information.



Conventional Gift Documentation from Donors

Underwriting/Delivery	
<input type="checkbox"/>	Corr. Delegated
<input checked="" type="checkbox"/>	Corr. Non-Delegated
<input type="checkbox"/>	Corr. EZD
<input type="checkbox"/>	Corr. Mandatory
<input type="checkbox"/>	HFA Delegated
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Products	
<input checked="" type="checkbox"/>	Conv. (Freddie)
<input checked="" type="checkbox"/>	Conv. (Fannie)
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<input type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

U.S. Bank has received clarification about donor Gift Documentation for Conventional loans. A donor bank statement may not be required on all gift transactions, but it is one of the documentation options.

Special requirements for other eligible sources of funds

Other sources of funds eligible to be used to qualify the Borrower for the Mortgage transaction and the applicable documentation requirements are described in the chart below. The eligibility and documentation requirements apply to all funds used to qualify the Borrower of the Mortgage transaction including reserves. Any limitations on the use of an asset type are specified in the chart.

For AUS mortgages, the documentation level shown on the Feedback Certificate indicates the minimum level of documentation acceptable.

All Manually Underwritten mortgages must at least be documented according to Standard Documentation.

Asset type and eligibility requirements

Gift funds or a gift of equity

Gift funds or a gift of equity is an eligible source of funds for a Mortgage secured by a Primary Residence or second home provided that:

- The funds are from a Related Person, and
- The funds do not have to be repaid

When a Mortgage is secured by a second home and the LTV/TLTV/HTLTV ratio is greater than 80%, the gift is permitted only if the Borrower has made a Down Payment of at least 5% from Borrower personal funds. Gift funds or gift of equity are not an eligible source of funds for Investment Property Mortgages.

Gift funds must be transferred directly from the donor's account in a financial institution to the Borrower's account or to the settlement or closing agent.

AUS Feedback and Standard Documentation Requirements: Provide a gift letter signed by the donor. Information provided in the gift letter must:

- State the donor's name and that the funds are given by a Related Person
- Include the donor's mailing address and telephone number
- State the amount of the gift funds or gift of equity
- Establish that the gift funds or gift of equity are a gift that does not have to be repaid

Gift funds: U.S. Bank must provide evidence of one of the following:

- 1 Transfer of funds from the donor's account in a financial institution to the Borrower's account. For example, copies of bank statements from both the donor and the Borrower's accounts, a copy of a canceled gift check or a copy of a donor's withdrawal slip and the Borrower's deposit slip, or
- 2 Transfer of the funds from the donor's account in a financial institution to the settlement or closing agent. For example, a copy of a cashier's check or wire transfer confirmation.
- 3 Funds transferred using a third-party money transfer application or service are acceptable only when the documentation included in the Mortgage file evidences that the funds were transferred using the application or service directly from the donor's bank account to the Borrower's bank account or to the settlement or closing agent.

Gift of equity: A gift of equity must be reflected on the Settlement/Closing Disclosure Statement.

**Conventional
Gift
Documentation
from Donors,
continued**

Portfolio Guidelines

Portfolio guidelines will also be updated to reflect the same guidance for documentation on the transfer of gift funds as follows:

The donor must provide a signed and dated letter indicating the following:

- statement indicating that no repayment is required,
- specify the dollar amount of the gift, and
- indicate the donor's name, address, telephone number and relationship to the borrower.

Verification of receipt of gift funds is required by the borrower as evidenced by the following:

- transfer of funds from the donor's account in a financial institution to the borrower's account. For example, copies of bank statements from both the donor and the borrower's accounts, a copy of a canceled gift check or a copy of a donor's withdrawal slip and the borrower's deposit slip, or
- transfer of the funds from the donor's account in a financial institution to the settlement or closing agent. For example, a copy of a cashier's check or wire transfer confirmation.

Guide Updates: 713.8 Agency - Funds for Closing, 714.1.6 Portfolio - Assets/Funds to Close

**Rural
Development
Handbook
Update Ch. 13
& 15**

Rural Development (RD) has announced updates to the SFH Guaranteed Loan Program Technical Handbook HB-1-3555 Chapter 13 Special Property Types and Chapter 15 Submitting the Application Package per [Procedure Notice 534](#). Clarifications are listed by paragraph in the Procedure Notice.

The updated versions of the chapters are located on RD [HB-1-3555 SFH Guaranteed Loan Program Technical Handbook](#).

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Income Analysis Worksheet Updates

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The following changes have been made to the Income Analysis Worksheet:

Rental Not Filed

Both Fannie Mae and Freddie Mac now have guideline requirements allowing for Rental – Not Filed income. U.S. Bank Home Mortgage will follow Agency guidelines when considering this income and remove any applicable overlays. This tab has been updated to note that Freddie Mac only allows this income to be considered on a purchase transaction.

Other Income Borrower/Co-Borrower

- Non-taxable income on VA loans is allowed to be grossed-up up to 25%. These tabs have been updated to remove the U.S. Bank overlay of the 15% gross-up calculation and will allow the VA 25% gross-up calculation. Non-taxable income on VA loans will now be grossed-up at the borrower's tax rate or 25%.
- These tabs have also been updated to reflect the taxable income lines applicable to a 1040-SR.

Income Worksheet Manual

An additional section has been added for Non-Taxable Income. This section provides additional detail on types of non-taxable income for determining whether the income should be grossed up.

Guide Updates: 712.1.1 VA- Overlays, 712.6 VA- Effective Income, 713.1.1 Agency- Overlays, 713.7 Agency- Effective Income, Income Analysis Worksheet, Income Analysis Manual.

Requirements and Guidance Related to COVID-19 for Self Employed Borrowers

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Due to the current economic disruption and market uncertainty associated with the COVID-19 event, U.S. Bank will continue to update temporary guidelines with changes and clarifications as we align our communications with investor guidance.

This memo removes our overlay for Freddie Mac and Fannie Mae that was announced in UW Memo 2020-054. The primary change is an audited P&L or unaudited P&L with business bank statements are to be dated no more than **60** calendar days prior to the Note Date.

Determining income stability with additional analysis and documentation

U.S. Bank must comply with the following Agency requirements when assessing income derived from self-employment in order to determine if the Borrower's income is stable and there is a reasonable expectation of continuance. The Mortgage file must include a written analysis of the self-employed income amount and justification of the determination that the income used to qualify the Borrower is stable.

Minimum additional documentation requirements

At a minimum, the following additional documentation must be obtained when assessing income from self-employment:

- An unaudited year-to-date (YTD) profit and loss statement that is signed by the Borrower and reports business revenue (i.e., gross receipts or sales), expenses and net income. The information in the YTD profit and loss statement must cover the most recent month preceding the Application Received Date and be dated no more than 60 calendar days prior to the Note Date, and

Requirements and Guidance Related to COVID-19 for Self Employed Borrowers, continued

- Two months business account statements no older than the latest two months represented on the YTD profit and loss statement
 - For example, if the YTD profit and loss statement is through May 31, 2020, the business account statements can be no older than for April and May

Personal asset account statements evidencing business deposits and expenses may be used when the Borrower is an owner of a small business and does not have a separate business account

or

- An **audited** YTD profit and loss statement reporting business revenue (i.e., gross receipts or sales), expenses and net income. The information in the YTD profit and loss statement must cover the most recent month preceding the Application Received Date and be dated no more than 60 calendar days prior to the Note Date.

Note: U.S. Bank may need to obtain additional documentation to supplement the minimum required documentation in order to effectively assess the impact of the pandemic on the business.

Business Assets

- No business assets will be allowed for down payment, closing costs or reserves, regardless of impact to business.
- P&L and Balance Sheet dated within 60 days of note date. YTD is required. Additional P&Ls will be required for any tax years not filed. This documentation requirement cannot be waived, and no exception will be allowed.

Job Aid

The [Underwriting Borrowers with Self Employed Income Job Aid](#) has been created to provide additional guidance on assessing income derived from self-employment in accordance with this temporary guidance.

U.S. Bank Secondary Market Fees

U.S. Bank Home Mortgage charges certain fees when purchasing a closed loan through our Correspondent and HFA business channels (e.g., funding fees and tax service fees). These fees are deducted from the loan proceeds when wired to the lender. These fees are considered part of the secondary market transaction.

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We consider the U.S. Bank secondary market transaction to be separate from the lender’s transaction with the consumer. Any secondary market fees a lender passes to the consumer must be disclosed on the Closing Disclosure under Section A, Origination Charges paid to the lender. Fees not disclosed in Section A of the Closing Disclosure will require the Lender to cure prior to purchase by U.S. Bank.

U.S. Bank does not prohibit lenders from passing the secondary market fees on to the consumer. However, please know that some fees may be prohibited under the policies and guidelines for the program (e.g., the Housing Finance Agency program policies, Freddie, Fannie, HUD etc.).

U.S. Bank includes all lender origination charges in the Annual Percentage Rate (APR) and the points and fees calculations.



Correspondent Portfolio Product Guideline Updates

Minimum FICO Requirements for U.S. Bank Portfolio Products

Due to the continued negative economic impacts of Covid-19, we are increasing the minimum FICO scores for our portfolio lending products. The following changes are being made to ensure the performance of our portfolio products continues to align with our expectations and the industry performance.

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Portfolio

Minimum FICO for loans >80% LTV will increase from 710 to 730

Guide Updates: 3307 USBHM ELITE 3/1 ARM, 3045 USBHM ELITE 5/1 ARM, 3309 USBHM ELITE 7/1 ARM, 3317 USBHM ELITE 10/1 ARM, 3320 USBHM Investor Paid MI 85% ARM, 3319 USBHM Investor Paid MI 90% ARM, 3776 USBHM 30 year Fixed, 3784 USBHM 20 year Fixed, 3777 USBHM 15 year Fixed, 3783 USBHM Investor Paid MI 85% Fixed, 3782 USBHM Investor Paid MI 90% Fixed

Questions



Correspondent: Please contact your Account Executive or the Client Support Area at 800.200.5881, option 1.

HFA: Please contact the Housing Finance Agency Hotline at 800.562.5165, option 1 for the HFA Customer Care Team.