



Seller Guide Update



SEL-2020-089: Multiple Topics

November 6, 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.



FHA Eligibility Requirements for Borrowers with Mortgages under Forbearance Status

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

Effective Date: Case numbers assigned on or after November 9, 2020

As an update to **SEL-2020-048**, FHA has published [ML 2020-30](#), announcing an updated policy for Borrowers with any previous mortgage forbearance (COVID-19 or non-COVID-19 related) on the subject property or any other residence regardless of occupancy. FHA also added requirements for Mortgage Payment History and documentation. Borrowers are eligible for a new FHA insured loan based on criteria below.

Lenders must determine if the borrower is in forbearance and current on their all existing mortgages and meet all government payment history requirements before final approving the new loan.

Resolution Method	Eligibility "Waterfall" Table
Current on all Mortgage Payments	Borrowers who are out of a forbearance and were current on all mortgage payments during the forbearance period and continued to make their scheduled monthly mortgage payments are eligible for a new mortgage loan. Forbearance plan must be terminated prior to or at closing.
Payment Deferrals/ Modifications	<p>For borrowers who are out of a forbearance prior to or at closing and resolved any missing payments through various loss mitigation resolution methods,</p> <p>For purchase transactions repayment of their mortgage loan for a period of at least 3 months post forbearance. Loans with payments less than three months must be downgraded and manually underwritten to FHA Manual guidelines.</p> <p>For No Cash Out Refinances repayment of their mortgage loan for a period of at least 3 months post forbearance. Loans with payments less than three months must be downgraded and manually underwritten to FHA Manual guidelines. If loan was modified borrower must have made six payments under the modification agreement.</p> <p>For Cash Out Refinances the borrower must have completed the forbearance and made 12 consecutive monthly payments post forbearance.</p> <p>For Credit Qualifying Streamline refinance transactions, A Borrower who is still in mortgage payment forbearance and current at the time of case number assignment or has made less than three consecutive monthly mortgage payments within the month due since completing the Forbearance Plan, is eligible for a Credit Qualifying Streamline Refinance provided the Borrower made all mortgage payments within the month due for the six months prior to forbearance and had no more than one 30-Day late payment for the previous six months.</p> <p>For All Credit Qualifying and Non-Credit Qualifying streamlined refinance transactions, the borrower must have made six payments on the mortgage being refinanced. If the loan has been modified the borrower must have made six payments under the modification.</p>
Ineligible	<p>Borrowers that are not eligible for new loan financing include borrowers who:</p> <ul style="list-style-type: none"> are in Forbearance that will not be completed/terminated prior to at closing or currently in a loss mitigation solution where three payments have not been made.

Payment History: A Borrower who was granted a Mortgage Payment Forbearance and continues to make payments as agreed under the terms of the original Note is not considered delinquent or late and shall be treated as if not in forbearance provided the forbearance is terminated at or prior to closing i.e. forbearance does not require payments borrower would not be considered delinquent. A Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments.

Documentation: Where a mortgage reflects payments under a Modification or Forbearance Plan within the 12 months prior to case number assignment, we must obtain:

- a copy of the Modification or Forbearance Plan; and
- evidence of the payment amount and date of payments during the forbearance term.

A Forbearance Plan is not required if the forbearance was due to the impacts of the COVID-19 National Emergency.

Guide Updates: 711.7 FHA - Credit/Debt Underwriting, 711.7.3 FHA - Eligibility Requirements for Borrowers with Forbearances

RD Eligibility Requirements for Borrowers with Mortgages under CARES Act COVID-19 Forbearance Status

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

Effective Date: Immediately until further notice

Due to the current economic disruption and market uncertainty associated with the COVID-19 event, U.S. Bank will continue to update guidelines with changes and clarifications.

Existing Loans in Forbearance

RD has not issued an announcement addressing the underwriting of existing loans in a COVID-19 related Forbearance however they have updated their [SFHGLP FAQs](#).

Lenders must determine if the borrower is in forbearance and current on their all existing mortgages and meet all government payment history requirements before final approving the new loan.

Resolution Method	Eligibility "Waterfall" Table
Current on all Mortgage Payments	<p>Borrowers who are out of a COVID-19 forbearance and were current on all mortgage payments during the forbearance period and continued to make their scheduled monthly mortgage payments are eligible for a new mortgage loan. All existing loans must be current as of the note date and their mortgage payments made in the month prior to the note date and no later than the last business day of that month.</p> <p>Example: Loan file has evidence of April payment made in the month of April:</p> <ul style="list-style-type: none"> Note Date is June 5, 2020; Evidence of May payment made within the month of May must be obtained Note Date is May 30, 2020; Evidence of April payment meets requirements
Payment Deferrals/ Loss Mitigation	<p>For borrowers who are out of a COVID-19 forbearance and resolved any missing payments through various loss mitigation resolution methods, there is a required seasoning period after forbearance in order to be eligible for a new loan.</p> <p><u>For purchase transactions (Manually Underwritten, Refer and Refer with Caution)</u>, applicants emerging from forbearance must have resumed repayment of their mortgage loan for a period of at least 3 months prior to applying for a new loan.</p>
Ineligible	<p>Borrowers that are not eligible for new loan financing include borrowers who:</p> <ul style="list-style-type: none"> are in Forbearance or who are currently in a loss mitigation solution <p>The borrower is eligible when loan is out of forbearance and meets the government agency mortgage payment history and seasoning requirements. Due to the payment history requirements bringing the loan current is not an option to be eligible for a new loan. Payment history must be met.</p>

COVID-19 Related Forbearance Defined

COVID-19 related forbearance is defined as a forbearance request covered under the CARES act starting on March 27, 2020 until the earlier of the termination date of the national emergency concerning the coronavirus or December 31, 2020.

VA Eligibility Requirements for Borrowers with Mortgages under CARES Act COVID-19 Forbearance Status

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

Effective Date: Immediately until further notice

[VA published Circular 26-20-25](#) announcing guidance for Veterans in a CARES Act forbearance. U.S. Bank Home Mortgage will follow the VA requirements as previously announced with the following updates as originally announced in **SEL-2020-053**.

Resolution Methods: The following eligibility requirements apply to all resolution methods (e.g. Forbearance Exited, Reinstatement, Termination of Forbearance, Payment Deferrals and Loss Mitigation Resolutions).

VA Purchase and Cash Out Refinance: Veterans who are in COVID-19 forbearance on any loan may still be eligible for a VA purchase and a VA cash out refinance if the following is met:

- Borrowers must provide the reasons for the delinquency / forbearance and information on how the delinquency/forbearance was cured and corrected.
- Veterans do not have to show they are out of forbearance nor have a period of on time payments to be eligible for a new loan, but they must be current on all payments.
- Manual Underwriting only must fully credit qualify and meet all VA and U.S. Bank credit requirements.

Also, non-mortgage deferred payments (auto, student loan, etc.) must be considered in the monthly obligation if the debt remains active after closing the new loan.

IRRL Transactions: Veterans who are in COVID-19 forbearance on the loan being refinanced may still be eligible for a VA IRRRL if the following is met:

Current loan being refinanced is in COVID-19 forbearance and no late payments >30 days

Effective with this update, the overlays (indicated in **green** below) are being removed.

- **Overlay Removed: Third Party Delegated and Non-Delegated must be fully credit qualifying**
- Borrowers must provide information that they are no longer experiencing hardship
- All existing U.S. Bank IRRRL requirements to be met

Current loan being refinanced is in COVID-19 forbearance and has late payments >30 days

- Borrowers must provide the reasons for the delinquency / forbearance and information on how the delinquency/forbearance was cured and corrected.
- Borrower must provide information that they are no longer experiencing hardship
- Borrower fully credit qualifies under VA and U.S. Bank requirements
- VA is temporarily waiving requirement that delinquent loans be sent to VA for Prior Approval. U.S. Bank Home Mortgage as Approved Lender may close the loan without sending to VA for approval.

Maximum Loan Amount for COVID-19 forbearance may include:

- Past due mortgage payments
- Late charges consistent with the note
- Allowable closing costs, discounts, and VA funding fee (if required)

Seasoning

- If a loan met seasoning requirements prior to the forbearance the VA seasoning requirement remains satisfied.
- If a borrower was partially complete with seasoning before entering forbearance, that borrower will need to begin the seasoning requirements again, until they have made six *consecutive* timely monthly payments post-forbearance.
- The date of the closing of the refinance loan is 210 calendar days or more after the first payment due date of the loan being refinanced.
- Fee Recoupment and Net Tangible Benefit standards must still be met for all IRRRLs.

COVID-19 Related Forbearance Defined: COVID-19 related forbearance is defined as a forbearance request covered under the CARES act starting on March 27, 2020 until the earlier of the termination date of the national emergency concerning the coronavirus or December 31, 2020.

Guide Update: COVID-19 Frequently Asked Questions

Government Extension of Temporary Flexibilities Related to COVID-19 and Elimination of FHA – Desktop-Only Appraisal Option

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

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.

Extension of Temporary Changes from Previous Seller Guide Updates

RD Flexibilities

- We are extending the temporary requirements and flexibilities that were **effective for application received dates through November 30, 2020 to mortgages with application received dates through December 31, 2020.**

FHA Flexibilities

- Immediately for reverification of employment loans closed on or before **December 31, 2020.**
- Immediately for appraisals completed on or before **December 31, 2020.**

Communication	Topic
SEL-2020-022	<ul style="list-style-type: none"> • Temporary Flexibilities for Employment Verifications and Appraisal Requirements for FHA • Temporary Flexibilities for Employment Verifications and Appraisal Requirements for RD

VA Flexibilities

The temporary requirements and flexibilities previously announced will remain in effect until VA publishes a rescission date for the following:

Communication	Topic
SEL-2020-022	<ul style="list-style-type: none"> • Temporary Flexibilities for Employment Verifications for VA Loans • Temporary Flexibilities for Appraisals for VA
SEL-2020-032	<ul style="list-style-type: none"> • Temporary Flexibilities for Appraisals for VA Updated and Future SAR Requirements

Elimination FHA - Desktop-Only Appraisal Option

FHA has monitored the Appraisal inspection scope of work usage from ML 2020-05 guidance and the Exterior-Only Appraisal option has demonstrated to be effective in support of initiatives to combat the spread of COVID-19 by limiting face-to-face contact across all eligible program transactions.

With the effectiveness of the Exterior-Only option, the Desktop-Only Appraisal option provided in ML 2020-05, for certain purchase transactions without any Appraiser visual observation of the property, is no longer acceptable for appraisals performed on or after November 1, 2020.

HFA Appraisals for FHA Loans

For HFA lenders, U.S. Bank will permit Exterior-only, as well as Interior/Exterior for FHA loans.

Note: Please refer to the communication listed above for complete details, as well as the COVID-19 Frequently Asked Questions (FAQ) document, the Correspondent Overlay Matrix, and HFA Overlay Matrix.

VA Type II Cash Out Refinances

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

Earlier this year, U.S. Bank announced that we would limit VA Type II Cash Out transactions to an 80% LTV/CLTV/TLTV.

We are pleased to announce that effective with loans locked on and after November 6, 2020, we are updating this overlay restriction and will now permit VA Type II Cash Out transactions to a maximum LTV/CLTV/HCLTV of 90% provided that the loan proceeds are used for any of the following:

Proceeds used to payoff:

- Existing first mortgage
- Junior liens used in their entirety to acquire the subject property

Proceeds used to pay:

- Closing costs and/or
- Disbursement of cash to the borrower (or any other payee) not exceeding the greater of 1% of the new refinance or \$2,000

Additional Notes:

- Type II Cash Out loans that are true cash-out or debt consolidation refinances will still be subject to a maximum LTV/CLTV/HCLTV of 80%
- 3-4 unit properties will have a maximum LTV/CLTV/HCLTV of 80% regardless of how funds are used

Lenders are reminded of the importance to ensure that loans meet the appropriate VA Type I and II guidelines as a part of their respective rep and warrant.

Guide Updates: The Correspondent Overlay Matrix has been updated as well as the following product guidelines:

- 2001 VA Fixed 30 year
- 2002 VA Fixed 15 year
- 2009 VA Jumbo Fixed 30 year
- 2024 VA 5/1 ARM

Upcoming Address Change: HFA Final Documents

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

As a result of an upcoming facilities move, beginning November 13th, all **HFA Final Documents** should be delivered to the following address:

Current Address	New Address (beginning 11/13/20)
<p align="center">U.S. Bank Centralized Image Capture EP-MN-HMP1 7601 Penn Avenue South, Suite A1 Richfield, MN 55423</p>	<p align="center">U.S. Bank Attn: CIC HFA Final Docs EP-MN-X3CI 9380 Excelsior Blvd, 3rd Floor Hopkins, MN 55343</p>

Note: This change is for HFA only and does not impact Correspondent loans.

Guide Updates: U.S. Bank HFA Lending > 900: Delivery and Funding > M. Final Documentation

Reminder: Geographic Market Restrictions

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

Correspondent and HFA Overlay Matrices

Questions

As a reminder and as published in **SEL-2020-088**, the state of **Nevada** has been identified as continuing to experience sustained home price appreciation above historical norms. In compliance with U.S. Bank Corporate Credit Policy, product guidelines will be updated as follows **effective with locks as of November 16, 2020**:

- U.S. Bank Portfolio fixed-rate and ARMs will be updated to a maximum of 75% LTV/TLTV (previously 90%).
- U.S. Bank Second mortgage guidelines will be updated to a maximum of 75% TLTV (previously 80%).
- Investor-Paid Mortgage Insurance products are not impacted by this change

Guide Updates: The following product guides will be updated on the effective date:

- 3104 USBHM Fixed Rate Second (15-Yr Am)
- 3105 USBHM Fixed Rate Second (30-Yr Am)
- 3141 USBHM Conventional One-Year ARM 2nd
- 3776 USBHM Fixed 30 year
- 3784 USBHM Fixed 20 year
- 3777 USBHM Fixed 15 year
- 3307 USBHM Elite 3/1 ARM2/6 CAPS
- 3045 USBHM Elite 5/1 ARM2/6 CAPS
- 3309 USBHM Elite 7/1 ARM2/6 CAPS
- 3317 USBHM Elite 10/1 ARM2/6 CAPS

In addition to the overlay updates announced in this update, we have also made adjustments for overall ease of use and clarity specifically to the COVID-19 related overlays sections. Lenders are encouraged to review the matrix for complete details.



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.