



Seller Guide Update



SEL-2021-003: Multiple Topics

January 22, 2021

- 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.



Fannie Mae Underwriting Changes

| 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 checked="" type="checkbox"/> | Conv. (Fannie) |
| <input type="checkbox"/> | Conv. (Portfolio) |
| <input type="checkbox"/> | FHA |
| <input type="checkbox"/> | VA |
| <input type="checkbox"/> | Rural Development |

Effective Date: Immediately

[Fannie Mae Announcement SEL-2020-07](#) announced changes and/or clarifications to the following:

- Single-wide manufactured homes
- Retirement, government annuity, and pension income and employment-related assets as income
- Sale of personal assets
- Community land trusts eligibility

Single-wide manufactured homes

Fannie Mae has expanded their eligible property criteria to include single-wide manufactured homes.

- **Correspondent:** This change will not apply to our current product offering as U.S. Bank Home Mortgage does not make or purchase loans that are manufactured homes for Fannie Mae.
- **HFA:** Due to the risk associated with these types of properties, U.S. Bank Home Mortgage will not make or purchase loans that are single-wide manufactured homes.

Retirement, government annuity, and pension income and employment-related assets as income

Fannie Mae has updated their requirements related to the use of retirement, government annuity, and pension income:

- added financial and bank account statements to the list of eligible documents to show current receipt of income;
- clarified the requirements for documenting income from a pension or annuity account when the income will begin on or before the first payment date of the new loan;
- clarified that a three-year continuance of income is only required for retirement income paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account;
- allowing eligible retirement account balances to be combined for the purpose of determining the continuance; and
- removed the requirement to reduce the value of retirement assets consisting of stocks, bonds, and mutual funds by 30% when measuring the three-year continuance for retirement income, and for calculating net documented assets when employment-related assets are used as income.

Sale of personal assets

Fannie Mae updated their documentation requirements for the sale of personal assets to reflect the following:

- limiting the requirement to provide proof of the borrower's ownership of the asset to only those assets that have a title, for example an automobile title; and
- limiting the requirement to obtain an independent valuation of the asset to only those cases where the proceeds from the sale exceed 50% of the total monthly income used in qualifying. With this update that provides clearly defined guidelines, we are removing the prior policy that allowed for alternative documentation if the proceeds from the sale represented a minor percentage of the borrower's overall financial contribution.

As a reminder, proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the asset(s) is not a party to the mortgage transaction.

Community land trusts eligibility

Fannie Mae has simplified their policy for community land trust eligibility and underwriters must review the community land trust's ground lease to confirm that it is based upon either the National Community Land Trust Network (NCLTN) 2011 CLT Network Model Ground Lease or the Institute for Community Economics (ICE) Model Ground Lease.

For loans underwritten by U.S. Bank, the ground lease must be reviewed by underwriting and if the ground lease is not based on either the NCLTN or ICE model leases, an exception request may be submitted

Guide Updates: 713.5 Agency – Eligible Borrowers, 713.17 Agency - Eligible Properties; HFA Overlay Matrix

Agency Extension of Temporary Flexibilities Related to COVID-19

| 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 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 type="checkbox"/> | Conv. (Portfolio) |
| <input type="checkbox"/> | FHA |
| <input type="checkbox"/> | VA |
| <input type="checkbox"/> | Rural Development |

FHA Handbook 4000.1 Update

| Underwriting/Delivery | |
|-------------------------------------|---------------------|
| <input checked="" type="checkbox"/> | Corr. Delegated |
| <input checked="" type="checkbox"/> | Corr. Non-Delegated |
| <input checked="" type="checkbox"/> | Corr. EZD |
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| <input checked="" type="checkbox"/> | FHA |
| <input type="checkbox"/> | VA |
| <input type="checkbox"/> | Rural Development |

FHA Manufactured Housing Appraisal Requirement

| 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 |
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| <input type="checkbox"/> | Conv. (Fannie) |
| <input type="checkbox"/> | Conv. (Portfolio) |
| <input checked="" type="checkbox"/> | FHA |
| <input type="checkbox"/> | VA |
| <input 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: We are extending the temporary requirements and flexibilities previously announced that were effective for application received dates through December 31, 2020 to mortgages with application received dates through February 28, 2021 for the following:

| Communication | Topic |
|---------------|--|
| SEL-2020-021 | <ul style="list-style-type: none"> Correspondent: Temporary Flexibilities for Appraisals HFA: Temporary Flexibilities for Appraisals Temporary Flexibilities for Employment Verifications |
| SEL-2020-027 | <ul style="list-style-type: none"> Temporary Credit Underwriting Requirements for Agency Loans Temporary Flexibilities for Agency Appraisals on New Construction Properties |
| SEL-2020-029 | <ul style="list-style-type: none"> Clarification: Temp. Credit Underwriting Requirements for Agency Loans – Investment Properties |

Effective Date: Immediately (changes have already been announced and implemented)

FHA has announced the annual updates to the [Single Family Housing Policy Handbook 4000.1](#).

Updates and Clarifications

FHA has incorporated previously published Mortgagee Letters into 4000.1; in addition, minor clarifications have also been made. This version of the [Single Family Housing Policy Handbook \(SF Handbook\) / HUD Handbook 4000.1](#) shows Tracked Changes to text since the last publication, to show all changes including deleted text.

There are no policy changes at this time.

Effective Date: Manufactured Housing Appraisals dated after December 22, 2020

[FHA Mortgagee Letter 2020-48](#) announced appraisal requirements for manufactured homes using Fannie Mae or Freddie Mac certifications.

Appraisal Requirements

Fannie Mae and Freddie Mac have implemented construction requirements for manufactured housing which include and are beyond the HUD manufactured construction requirements. These manufactured homes are certified as MH Advantage for Fannie and CHOICEHome for Freddie. FHA will accept these certifications for FHA financing if the MH Advantage Sticker or CHOICEHome label are affixed near the HUD Data Plate.

The appraiser must provide at least two comparable sales with similar certifications when available. If sales with similar comparables are not available, the Appraiser may use other factory built or site-built construction along with justification and adjustments.

The appraisal must include photos of the MH Advantage sticker or CHOICEHome label along with the HUD Data Label.

These requirements apply to existing and new construction manufactured homes.

Disaster Area Declarations

| Underwriting/Delivery | |
|-------------------------------------|---------------------|
| <input checked="" type="checkbox"/> | Corr. Delegated |
| <input checked="" type="checkbox"/> | Corr. Non-Delegated |
| <input checked="" type="checkbox"/> | Corr. EZD |
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| <input checked="" type="checkbox"/> | FHA |
| <input checked="" type="checkbox"/> | VA |
| <input checked="" type="checkbox"/> | Rural Development |

The following counties have been declared as Presidential Disaster Area with Individual Assistance on the [FEMA Disaster Website](#) and re-inspection requirements detailed in our Correspondent Seller's and HFA Division Lending Guide must be met. In some cases, additional counties may have been added. Lenders are responsible for verifying procedures are in place to monitor new and/or updated declarations.

| Declaration Date | State | County/Parish |
|------------------|-------|---|
| January 12, 2021 | LA | Jefferson, Lafourche, Orleans, Plaquemines, St. Bernard and Terrebonne Parishes |

Guide Section: 711.20 – Natural Disaster Procedures (VA), 712.20 – Natural Disaster Procedures (FHA), 713.21 – Natural Disaster Procedures (Conventional), 714.1.10 – Appraisal Procedures (Portfolio – Correspondent Only), 715.20: Natural Disaster Procedures (USDA)

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.