



# Seller Guide Update



SEL-2021-024: Multiple Topics

May 14, 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.



## Updated Best Practice: Loans in Special Flood Hazard Area (SFHA) Zone beginning in A or V

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

Based on recent updates previously announced, we have also updated the **Best Practices document for Loans in Special Flood Hazard Area (SFHA) Zone beginning in A or V**. Lenders are encouraged to review the updated U.S. Bank Best Practice document in its entirety for complete details.

Highlights of the updated Best Practice (attached) include:

Section	Update
<b>Regulations</b>	Added the following bullet specific to Portfolio Products: <ul style="list-style-type: none"> <li>V, VE, V1-V30 with CLTV/LTV greater than 80.00% are not allowed.</li> </ul>
<b>Determining Insurable Value</b>	Updated bullets to include the following: <ul style="list-style-type: none"> <li>Homeowners Insurance Policy <i>individual line item</i> for the detached structure</li> <li>Appraisal Cost Approach Replacement Cost Value</li> <li>10% of Main Dwelling Coverage from the Homeowners Insurance Policy, if other values are not obtained.</li> </ul> <p><u>Note: An email from the agent or appraiser regarding the insurable value of a detached structure is not acceptable. An updated Policy/Appraisal will be required.</u></p>
<b>Flood Insurance Policy Standards</b>	Updated third bullet to include the following: <ul style="list-style-type: none"> <li>A certificate of insurance will only be accepted for existing or renewed policies. <ul style="list-style-type: none"> <li>The ACORD certificate of insurance NFIP policy must be accompanied by the previous flood policy.</li> </ul> </li> </ul>
<b>Notice to Borrower in Special Flood Hazard Area</b>	Updated to include the following: <ul style="list-style-type: none"> <li>The borrower-executed Notice to Borrower (NTB) must be provided in the loan file documentation delivered to U.S. Bank Home Mortgage, and the notice must contain the Biggert Waters verbiage for escrow requirements.</li> </ul>

**Guide Update:** Best Practices: Loans in Special Flood Hazard Area (SFHA) Zone beginning in A or V.

## End of Cycle Coming Soon - Government ARM Change Dates

Underwriting/Delivery	
<input checked="" 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
<input 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 type="checkbox"/>	Rural Development

As a reminder, we are quickly approaching the end of a cycle to accept specific change dates for FHA/VA ARM loans as follows:

- Last Day to Purchase** - Friday, May 21, 2021, will be the last day to purchase FHA/VA ARM loans with a July 1, 2026, change date.
- Loans Purchased and Change Date Requirements** - Loans purchased after May 21, 2021, must have an October 1, 2026, change date.

This applies to all loans that are scheduled to be delivered or have been delivered.

**All loans with prior-to-funding conditions must be cleared on or before Wednesday, May 19, 2021.**

**Guide Update:** 1300: ARM Documents > Disclosures > [FHA/VA ARM Change Dates](#)

## HFA Overlay Matrix Update

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

## Reminder: Correspondent Underwriting Fee Updates

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 checked="" type="checkbox"/>	FHA
<input checked="" type="checkbox"/>	VA
<input checked="" type="checkbox"/>	Rural Development

The **HFA Overlay Matrix** has been updated as follows:

- **Debt-to-Income (DTI)** – Per our recently published SEL-2021-022 including the removal of the following overlay from policy, we have updated the HFA Overlay Matrix to align with published policy.
  - Removed: Maximum DTI 36% for any Self-Employed borrower who uses business assets for down payment/closing costs/reserves.

### Guide Update: HFA Overlay Matrix

As previously published in SEL-2021-021, effective with loan registrations on and after May 21, 2021, U.S. Bank will update our Underwriting Fee based on product as outlined below:

Product	Updated Underwriting Fee: (Loans registered on/after 5/21)	Product Codes
<b>Conventional Agency</b>		
<b>Conventional Conforming</b>	<b>\$295</b>	3501, 3502, 3503, 3507, 3519, 3601, 3602, 3604, 3619, 3666, 3667, 3668, 3684, 3685, 3686, 3687, 3691
<b>Conventional High Balance</b>	<b>\$295</b>	3626, 3627
<b>FHA</b>		
<b>FHA</b>	<b>\$295</b>	1001, 1002, 1004, 1024, 1025, 1105, 1020,
<b>FHA Jumbo</b>	<b>\$295</b>	1025, 1105
<b>U.S. Bank Portfolio (First and Second Mortgages)</b>		
<b>U.S. Bank Portfolio First Mortgage</b>	<b>\$495</b>	3776, 3784, 3777, 3782, 3783, 3307, 3045, 3309, 3317, 3319, 3320
<b>U.S. Bank Portfolio Second Mortgage</b>	<b>\$250</b>	3141, 3104, 3105
<b>USDA</b>		
<b>USDA</b>	<b>\$305 (no change)</b>	3001
<b>VA</b>		
<b>VA</b>	<b>\$295</b>	2001, 2002, 2009, 2024
<b>VA Jumbo</b>	<b>\$295</b>	2009

**Guide Update:** The Correspondent Seller Guide will be updated to reflect a future change for section 640.1: Commitment and Underwriting.

## 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.



- ☑ Correspondent Lending
- ☑ Housing Finance Agency (HFA)

## Summary

This best practice communication is intended to assist lenders in understanding the regulations and requirements for loans with detached structures located in Special Flood Hazard Area (SFHA) Zone beginning in A or V. We will explore the following topics:

- Key definitions and regulations
- Determining insurable value
- Determining adequate flood insurance coverage
- Flood insurance policy standards
- NFIP versus private flood policies
- Detached Structure Flowchart (Special Flood Hazard Area (SFHA) Zone beginning in A or V)
- Flood insurance requirements

**Note:** We've also included some items not specific to detached structures, but key to the overall process.

## Key Definitions

- **What is a Detached Structure?** A structure that is detached from the dwelling and affixed to a permanent foundation with two or more outside rigid walls and a fully secured roof.
- **What is a Residential Structure?** A structure is considered designed for use as a residence when it generally contains sleeping, bathroom or kitchen facilities. Generally, the structure should contain at least two of these types of facilities, with one of them being utilized for sleeping.
- **What is Replacement Cost Value (RCV)?** The cost to rebuild the structure in an event of a total loss.

## Regulations

- **Conventional Agency, Portfolio, and USDA Products:** Non-residential structures fall under the Homeowner Flood Insurance Affordability Act (HFIAA) exclusion. Residential structures require flood coverage.
- **FHA and VA Products:** Non-residential structures with Replacement Cost Value (RCV) under \$5,000 or not affixed to a permanent site, do not require flood coverage. Non-residential structures with RCV \$5,000 or greater and affixed to a permanent site require flood coverage. Residential structures require flood coverage.  
**Note:** If not affixed to a permanent site, flood insurance is not required.
- **Portfolio Products:** V, VE, V1-V30 with CLTV/LTV greater than 80.00% are not allowed.

## Determining Insurable Value

To determine insurable value, it must come from the hazard agent or appraiser; the following is the preferred waterfall:

- Homeowners Insurance Policy *individual line item* for the detached structure
- Appraisal Cost Approach Replacement Cost Value
- 10% of Main Dwelling Coverage from the Homeowners Insurance Policy, if other values are not obtained.

**Note:** An email from the agent or appraiser regarding the insurable value of a detached structure is not acceptable. An updated Policy/Appraisal will be required.



## Determining Adequate Flood Insurance Coverage

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The flood insurance coverage must be equal to or greater than the total of all liens, insurable value (for each individual structure), or National Flood Insurance Program (NFIP) maximum (for each individual structure) whichever is less.

- The total of all liens includes the loan amount and second lien/HELOC (Second Lien/HELOC only included if it was delivered to or closed in U.S. Bank's or the originating lender's name for purchase).
- The NFIP maximum for a non-residential detached structure is \$500,000. The NFIP maximum for a residential detached structure is \$250,000.
- Each individual structure will utilize either the insurable value of each structure or the NFIP maximum, whichever is less.

**Note:** Required flood insurance must be escrowed for the life of the loan per Biggert-Waters Act effective January 1, 2016.

For loans secured by an individual condominium unit with a Residential Condominium Building Association Policy (RCBAP) in place, the lender should use the replacement cost value (RCV) listed on the RCBAP divided by the number of units to determine the appropriate insurable value on a per unit basis. In the absence of an RCBAP, when the customer is required to provide an individual dwelling policy for their unit, if the appraisal does not provide a cost approach figure for the unit or building, the business line may look to the association's hazard policy to determine the insurable value.

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## Flood Insurance Policy Standards

U.S. Bank requires a copy of a completed flood application signed and dated by the agent reflecting paid in full or a flood declarations page.

- A flood insurance binder is not acceptable as evidence of insurance.
- A flood insurance quote is not acceptable as evidence of insurance.
- A certificate of insurance will only be accepted for existing or renewed policies.
  - **The ACORD certificate of insurance NFIP policy must be accompanied by the previous flood policy.**
- It is acceptable to have the premium for a flood policy paid at closing on the Closing Disclosure (CD).
- The flood zone on the flood policy must match the flood zone listed on the Standard Flood Determination.

For closed loans purchased more than 30 days after the loan closing date, we require a copy of the flood declarations page evidencing the flood policy is in existence. If the application creation date is completed after close date, the creation date is then utilized to determine when the flood declarations page is required.

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## NFIP vs. Private Flood Policies

National Flood Insurance Program (NFIP) policy covers only the dwelling and 10 percent of a non-residential detached garage.

- If a non-residential detached structure (including a non-residential garage) is on the property, a separate flood policy may be required.
- If a residential detached structure is on the property, a separate flood policy is required.
- Private Flood Policy: Can cover the dwelling and all other detached structures however the agent must specify what structures are being covered on the policy.
- The dwelling is covered under the building coverage
- Other detached structures are usually covered on the same flood policy under the "appurtenant structures" coverage.

If not covered, a request to add the detached structure to the "appurtenant structures" coverage is allowed.

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## FHA Flood Insurance

As a reminder, FHA Handbook 4000.1 and HUD regulations require flood insurance coverage in the form of a NFIP policy when a residential property or any related improvements are determined to be located within Special Flood Hazard Area (SFHA), as determined by Federal Emergency Management Agency (FEMA). NFIP not available in the community renders the property ineligible for FHA insurance.

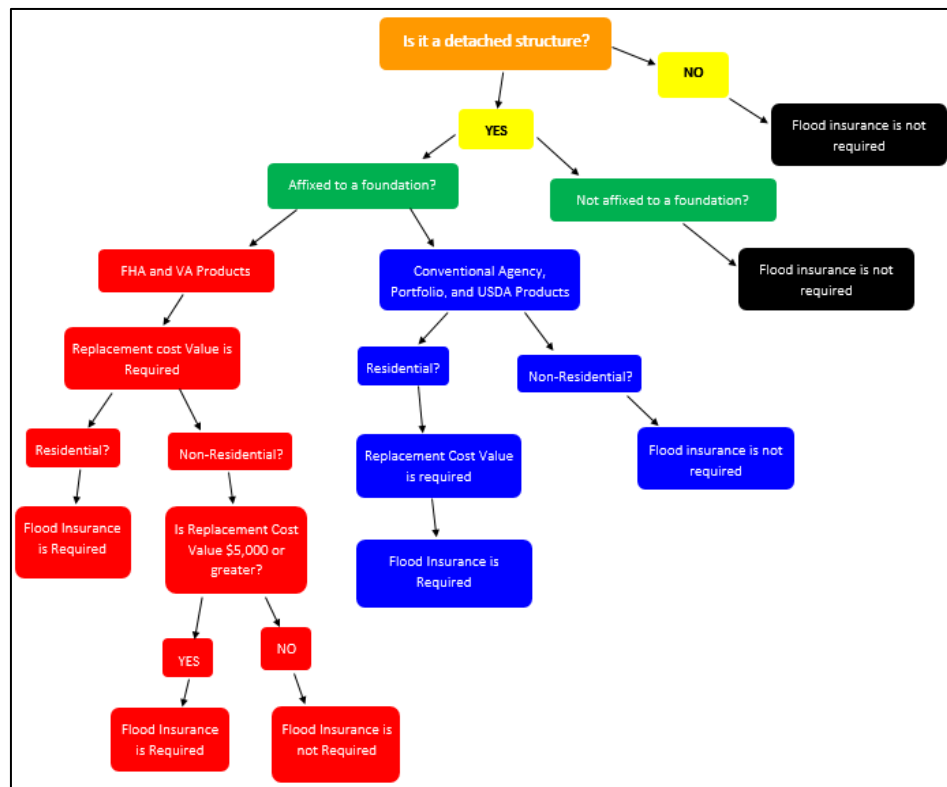
- Private Flood Insurance is not currently acceptable to FHA.
- Please refer to the 4000.1 for all property flood insurance requirements.
- Flood insurance coverage must equal the lesser of the unpaid mortgage balance plus secondary liens submitted to U.S. Bank for purchase, the insurable value, or the maximum limit available under the NFIP.

## Notice to Borrower in Special Flood Hazard Area

When making, increasing, extending, or renewing a loan secured by a building or a mobile home located or to be located in a special flood hazard area, the borrower must be mailed or delivered within a reasonable period of time, a written notice that the subject property is located in a SFHA. **The borrower-executed Notice to Borrower (NTB) must be provided in the loan file documentation delivered to U.S. Bank Home Mortgage, and the notice must contain the Biggert Waters verbiage for escrow requirements.**

## Detached Structure Flowchart (Flood Zones A or V)

The following flowchart will assist in the determination of flood insurance requirements for Detached Structures located in Special Flood Hazard Area (SFHA) Zone beginning in A or V:



## Flood Insurance Requirements

Please refer to the U.S. Bank Correspondent Seller and HFA Lending Guides < 400: Compliance < 400.13 National Flood Insurance Act and Flood Disaster Protection Act to review all U.S. Bank flood insurance requirements.

## Questions



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