



# Seller Guide Update



SEL-2021-026: Changes to Agency COVID-19 Guidelines and Practices

May 21, 2021

- Correspondent Lending
- Housing Finance Agency (HFA)

## Summary

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

In **SEL-2021-022**, we announced phase 1 updates made to Agency, Government and Portfolio flexibilities. As also mentioned in that update, we are now implementing phase 2 of these updates **for Agency loans as outlined below effective with locks and/or new loan reservations taken as of May 21, 2021.**

Many of the COVID credit-related restrictions and flexibilities are being eliminated. These restrictions and flexibilities were put in place due to the uncertainty of the impact of the pandemic on economic and housing markets and associated mortgage lending risks.

- **Current/Phase 2:** Additional Flexibility/Overlay removals and updates effective with Agency locks and/or new reservations as of May 21, 2021.
- **Previously Issued Phase 1 as announced in SEL-2021-022:** Agency, Government and Portfolio Flexibility/Overlay removal and flexibility updates.

## Key Changes

- Any overlay that was directly correlated due to a restriction or flexibility issued by the Agencies will be removed when that guidance has expired.
- Certain credit restrictions will remain due to the determination of prudent lending practices that should become U.S. Bank Home Mortgage standard guidelines.
- **Summary of Changes Document:** A summary of the changes that are being made as referenced in this announcement in Phase 2 with a more in depth listing are included on the last page.

## FICO Changes

Returning to the pre-COVID product requirements. Refer to the summary document at the end of this announcement for details.

## Cash Out Refinance Loans

Returning to the pre-COVID product requirements except for the following:

- No Investment properties
- U.S. Bank Second mortgage cannot be used in conjunction with a cash out first mortgage

Refer to the summary document at the end of this announcement for details.

## Community Seconds or Down Payment Assistance Programs

Returning to the pre-COVID product requirements. Refer to the summary document at the end of this announcement for details.



## Appraisal Flexibilities

U.S. Bank announced extensions to Agency Temporary flexibilities in SEL-2021-021. The temporary flexibilities are effective for **Application Received Dates through April 30, 2021 to Mortgages with Application Received Dates through May 31, 2021 for the following:**

Please note that additional extensions beyond this date are not expected and will expire.

- Refer to U.S. Bank's SEL-2020-021, SEL-2020-027 and SEL-2020-029 for additional details.

Communication	Topic
SEL-2020-021	<ul style="list-style-type: none"><li>Correspondent: Temporary Flexibilities for Appraisals</li><li>HFA: Temporary Flexibilities for Appraisals</li></ul>
SEL-2020-027	<ul style="list-style-type: none"><li>Temporary Flexibilities for Agency Appraisals on New Construction Properties</li></ul>

## Operational Procedures

The following requirements/overlays will remain unchanged at this time:

- For salary and wage earners underwritten by U.S. Bank, employment must be reverified within 5 business days of the note date using the standard Verbal Verification of Employment (VVOE). If the VVOE is not available, the alternative documentation process outlined in the memo may be used. If the initial closing date was extended, an additional employment reverification is not required unless the closing date was extended by 5 days or more (maximum of 10 days prior to note date.)
- U.S. Bank will require a COVID Borrower Attestation be included in all loan files.

## Seller and Lending Guide Updates

### Underwriting Guidelines:

Underwriting restrictions related to COVID are rescinded including requirements as outlined in this update. This guidance will be updated in the Underwriting Guidelines and COVID-19 FAQs.

### Product Guidelines:

The following Correspondent Product Guidelines will be updated in AllRegs with a targeted publication date of May 21, 2021:

Correspondent Impacted Products	
3501 FNMA 30 year	3684 FHLMC Investor Paid MI 80.01%-85%
3502 FNMA 15 year	3685 FHLMC Investor Paid MI 85.01% -90%
3503 FNMA 20 year	3686 FHLMC Investor Paid MI 90.01%-95%
3507 FNMA 10 year	3519 FNMA HomeReady
3601 FHLMC 30 year	3687 FHLMC Home Possible
3602 FHLMC 15 year	3691 FHLMC Home Possible MH
3604 FHLMC 20 year	3666 30 YR FHLMC MH
3619 FHLMC 10 year	3667 20 YR FHLMC MH
3626 FHLMC Jumbo 30 year	3668 15 YR FHLMC MH
3627 FHLMC Jumbo 15 year	

**Correspondent and HFA Overlay Matrices:** The Correspondent and HFA Overlay Matrices have been updated as follows:

<ul style="list-style-type: none"><li>1400.01: US Bank Delegated Correspondent Agency Overlays</li><li>1400.03: U.S. Bank Non-Delegated Correspondent Agency Overlays</li></ul>	<ul style="list-style-type: none"><li>U.S. Bank HFA Overlay Matrices (<i>refer to SEL-2021-028</i>)</li></ul>
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**COVID-19 Frequently Asked Questions:** The COVID-19 FAQ has also been updated.

## Summary of Changes

The following is a summary of the changes that are being made to Agency guidelines in Phase 2:

Product	Current Guidelines/Overlay	May 2021
<b>Purchase and Rate/Refinance</b>		
Correspondent Minimum FICO	640	620 to 45% DTI 680 to 50% DTI
<b>Cash Out Refinance</b>		
Minimum FICO	720	620 to 45% DTI 680 to 50% DTI
Occupancy	Primary Residence only	Primary 2-4 Unit to 75% 2 <sup>nd</sup> Homes to 75%
Subordinate Financing	New Subordinate financing is not allowed	Subordinate financing cannot be a U.S. Bank second.
<b>Down Payment Assistance</b>		
Correspondent Down Payment Assistance	Non-Delegated Lenders:  When any funds used for closing costs or down-payment are from Down Payment assistance (DPA) or Closing Cost assistance grants, loans or other similar programs. minimum credit score of 700 and max DTI of 43% required	Removed in its entirety.

## 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.