



Seller Guide Update



SEL-2022-019: Multiple Topics

May 6, 2022

- Correspondent Lending
- Housing Finance Agency (HFA)

Table of Contents

The following topics are included in this update:

Geographic Market Restrictions	2
Agency Underwriting Guideline Changes	2
Borrower Self-Reported Utility Tradelines on Credit Report	2
Rural Development – Non-U.S. Citizens Update	3
Agency – Employment Extended Absence Income Policy	3
Disaster Area Declarations	4
Reminder: Mortgage Insurance Certificate	4
End of Cycle Coming Soon - Government ARM Change Dates	4
Questions	4

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.



Geographic Market Restrictions

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

Agency Underwriting Guideline Changes

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

Borrower Self-Reported Utility Tradelines on Credit Report

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

As a reminder, and as was published in [SEL-2022-016](#), effective with locks as of May 6, 2022, the following states have been identified as experiencing sustained home price appreciation above historical norms. In compliance with U.S. Bank Corporate Credit Policy, **second mortgage** product guidelines will be updated to reflect the maximum TLTV as outlined below:

The following states will now be limited to a maximum TLTV of 80% (previously 85%):

Delaware	Hawaii	Kentucky	Minnesota
Nebraska	South Dakota	Virginia	Wyoming

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

- 3104 USBHM Fixed Rate Second (15-Year Amortization)
- 3105 USBHM Fixed Rate Second (30-Year Amortization)

Effective Date: Immediately

Freddie Mac has recently updated their Underwriting Guidelines regarding Military Owner Occupancy.

Military Owner Occupancy

Military service may require a service member to be absent from their home for an extended period due to a deployment.

Freddie Mac has updated the definition of principal residence to include loans for borrowers who are military service members currently on active duty and temporarily unable to occupy the home due to military service. Underwriting must verify the temporary absence from the subject property by obtaining a copy of the borrower's military orders. The orders must evidence the borrower will be absent from the subject property as of the date the owner occupancy must be established as required by the security instrument.

Effective Date: Immediately

Self-Reported utility tradelines can be omitted from the debt-to-income (DTI) and are not qualified as 30-day accounts.

As a way to enhance the non-mortgage credit score/FICO borrowers add their utility accounts as tradelines on credit report (example shown below). This gives a 'boost' to the credit score/FICO that is used for some consumer lending products. The mortgage FICO score calculation used for mortgages does not consider these utility accounts and does not provide the 'boost' in credit score/FICO.

Underwriting should omit these self-reported utility accounts in the DTI ratio when qualifying loans. These accounts do not need to be treated as 30-day accounts and do not require reserves to cover the expense.

B	B	UTILITY SELF-REPORTED	12/21	-/-
				12/21
History: 12/21: 0000000000000000-----0000-0-0				
UTILITY COMPANY: ORIGINAL CREDITOR: CHKG/AMERICANELECTRICPOWER				

Guide Updates: 711.7 - FHA Credit/Debt Underwriting, 712.9 - VA Credit/Debt Underwriting, 713.9 – Agency Credit/Debt Underwriting, 714.1.5.1 – Portfolio Credit, 715.7 – RD Credit / Debt Underwriting

Rural Development – Non-U.S. Citizens Update

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

Agency – Employment Extended Absence Income Policy

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

Effective Date: Immediately

Rural Development (RD) will allow Employment Authorization Document for non-U.S. citizens.

Handbook Chapter 8 – Having Acceptable Citizenship or Immigration Status

Current categories of eligible immigration statuses are being updated to include non-U.S. citizens with a valid Employment Authorization Documentation (EAD) and valid social security number.

These borrowers are eligible to participate in RD loan program. Please note, all other applicant eligibility requirements of the program regulation handbook still apply.

Effective Date: Immediately

U.S. Bank is announcing an update to our Employment Extended Absence Income Policy as follows:

Extended Absence Defined

When returning to work after an extended absence, borrower's income may be considered effective and stable if he/she:

- is employed in the current job for two months or longer, and
- can document a two-year work history prior to an absence from employment using traditional employment verifications and/or copies of W-2's or pay stubs.

Examples:

- Borrower left job (for whatever reason) and was unemployed for six months or longer and has now found new employment. Borrower needs to only be on the new job for two or more months.
- Borrower who took time off (six months or longer) to care for family members, including children and are now starting a new job with a different employer. Borrower needs to only be on the new job for two or more months.

Exceptions to this policy when less than two months on current job is allowed:

- A borrower who was laid off from their employment for six months or longer and has been rehired by the same employer. The underwriter still must determine the employment is stable to make this exception.
- A borrower on family/maternity leave is not considered out of the workforce as long as they return to their same employer.
- A borrower who has never been in the work force such as recent high school / college / trade school graduate. The borrower's income may be considered effective income if the mortgage file contains documentation to support that the borrower was either attending school or in a training program immediately prior to their current employment history. The underwriter also must determine the income is stable.
- A borrower who has been deployed (called up) to active military duty from a stable job is not considered "out of the workforce" while deployed.

Guide Update: 713.7 Agency – Effective Income

Disaster Area Declarations

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

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 and HFA Lending Guide must be met. In some cases, additional counties may have been added. Lenders are responsible for verifying procedures to monitor new and/or updated declarations.

- Agency, Portfolio, VA, and RD loans with subject properties located in counties listed below that have not CLOSED by the Disaster Declaration Date must follow the requirements listed in AllRegs.
- FHA loans with subject properties located in the parishes listed below that have not been ENDORSED as of the Disaster Declaration Date must follow the FHA requirements listed in AllRegs.

Declaration Date	ST	County/Parish
May 4, 2022	NM	Colfax, Lincoln, Mora, San Miguel, Valencia

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

Reminder: Mortgage Insurance Certificate

As a reminder, when submitting a delegated transaction to U.S. Bank for purchase, please include the final Mortgage Insurance Certificate that is applicable to the mortgage loan transaction.

We have seen a growing trend where some delegated loan submissions include multiple certificates from different MI companies in the loan file; loans submitted for purchase should only include the MI certificate with the correct loan terms in the closed file submission.

Guide Reference: 900: Delivery and Funding > C. Funding Documentation Requirements

End of Cycle Coming Soon - Government ARM Change Dates

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** – May 20, 2022, will be the last day to purchase FHA/VA ARM loans with a July 1, 2027 change date.
- **Loans Purchased and Change Date Requirements** - Loans purchased after May 20, 2022 must have an October 1, 2027, 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 May 18, 2022.

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

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.