



Seller Guide Update



SEL-2022-042: Multiple Topics

July 29, 2022

- 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.



FHA Income Calculations COVID-19 Impacts and Appraisal Validity

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 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: Immediately for income affected by COVID-19

FHA Income Calculations: [Mortgagee Letter 2022.09](#) provides updated calculations for borrowers who have had a temporary loss of employment, temporary reduction of income, or temporary reduction of hours worked due to the COVID-19 National Emergency i.e. employees with overtime, bonus, or tip income would be as follows;

(1) Standard

For employees with Overtime, Bonus or Tip Income, the Mortgagee must calculate the Effective Income by using the lesser of:

- the average Overtime, Bonus or Tip Income earned over the previous two years or, if less than two years, the length of time Overtime, Bonus or Tip Income has been earned; or
- the average Overtime, Bonus or Tip Income earned over the previous year.

(2) Exception Due to COVID-19 Related Economic Event

For employees with Overtime, Bonus or Tip Income, the Mortgagee must calculate the Effective Income by using the lesser of:

- the average of the income in accordance with the Overtime, Bonus or Tip Income Standard section above for the time period prior to the COVID-19 Related Economic Event; or
- the average Overtime, Bonus or Tip Income earned since the COVID-19 Related Economic Event.

A letter of explanation from the borrower regarding loss of income must be included in the file. Details of the exact income calculations are required to be documented in the loan file.

U.S. Bank will follow the Mortgagee Letter for all COVID-19 income calculations.

Example: Borrower's hours were affected in 2020 due to COVID. VOE states 2018 and 2019 overtime as \$5,000. The VOE shows 2021 overtime and year to date as average \$4,000. The \$4,000 average must be used. The 4000.1 handbook will be updated in the future with the updated calculations. Please reference the Mortgagee Letter link above for all income calculations for exceptions due to COVID-19 related events.

FHA Appraisal Validity

Effective with case numbers on or after June 1, 2022, appraisals will now be valid for 180-days. If the initial appraisal report will be more than 180-days at disbursement date an appraisal update may be ordered. The updated appraisal is valid for one year after the effective date of the initial appraisal. Mortgagees may only order an update if the mortgagee is listed on the original appraisal or if permission from the original client and the appraiser is granted.

Appraisal updates may only be used if:

It is performed by an FHA appraiser who is currently in good standing on the FHA Appraiser Roster; or if a substitute appraiser is used due to the lack of the original appraiser availability, the substitute appraiser must state they concur with the analysis and conclusions in the original appraisal report, and the Mortgagee must document in the case binder why the original appraiser was not used;

- the property has not declined in value;
- the building improvements that contribute value to the property can be observed from the street or a public way;
- the exterior inspection of the property reveals no deficiencies or other significant changes;
- the appraisal update was performed by the appraiser within one year from the effective date of the initial appraisal being updated; and
- the appraisal update is performed before the disbursement date.

Common ARM Loan Review Errors

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

Reminder: Uniform Instruments – Updated Security Instruments, Notes and Riders

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

We would like to remind lenders of two very important items specific to ARM loan delivery and review that are currently trending as common issues in ARM loans submitted for purchase:

Common errors include:

- Lenders using the incorrect index, i.e. 6-month Treasury bill vs 1-Year Treasury constant maturity, when preparing initial and final disclosures and as a result, the APR is incorrectly stated.
- Ensure compliance with any additional waiting period at closing as a result of APR increases due to the indices increasing from the initial to final closing disclosure.

Guide Reference: Lenders are encouraged to review the materials in our Correspondent Seller Guide specific to our U.S. Bank Portfolio ARM products as well as the most recent publication of the Best Practice: Adjustable Rate Mortgage (ARM) Loan Review (06/08/22).

As a reminder, in U.S. Bank's **SEL-2021-060** published on November 5, 2021, we advised that [Fannie Mae \(SEL-2021-06\)](#) and [Freddie Mac \(Bulletin 2021-25\)](#) (the "GSEs") announced that their uniform instruments, which include their security instruments, notes, and riders, were updated. With the exception of those that are being retired, these updates impact all Uniform Instruments.

Important Key Points

- Changes include, but are not limited to, revisions for federal, State and local law changes and to simplify language.
- The updated Security Instruments, Notes and Riders have a tagline dated July 2021 and may be used for all Mortgages originated on or after July 8, 2021. However, lenders must use the updated Uniform Instruments for all Mortgages with a Note Date on and after the mandatory effective date of January 1, 2023.
- Per GSE instruction, if lenders use the updated Uniform Instruments for Mortgages with Note Dates prior to January 1, 2023, they must use the updated Security Instrument, Note and Rider, if applicable. **Lenders may not use the updated July 2021 Uniform Instruments in combination with any earlier versions currently in use for each Mortgage.**

U.S. Bank Readiness

U.S. Bank has reviewed these updates for a number of impacts including, but not limited to operational and systematic readiness as well as industry and vendor partners' ability to absorb these updates. Even with the GSE's allowance to begin to use the updated documents, U.S. Bank hopes to be systematically ready to accept loans originated utilizing the updated documents later this year, potentially in the fourth quarter.

We understand the importance of this information, and the impact to our collective business. As more information is available, we will communicate details each month for the remainder of the year. Lenders who may be ready to use the updated documents sooner should contact their U.S. Bank Account Executive.

Clarifications

Recent Equifax Coding Issues

In **SEL-2022-038** published on July 15th, U.S. Bank issued communication regarding the recent Equifax coding issues.

As a point of clarification, it is our understanding that both Fannie Mae and Freddie Mac will not require lenders to obtain an updated credit report or re-underwrite the loan by submitting the loan to AUS, or to reassess the underwriting decision for non-AUS loans as we had originally understood.

As we learn more details, we will share them with you at that time.

Sending the Appraisal to U.S. Bank

In **SEL-2022-039** published on July 22nd, we inadvertently included our HFA lenders on the *Sending the Appraisal to U.S. Bank* topic. Please note that this information is not applicable to HFA lenders. We apologize for any confusion this may have caused.

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.
