



Seller Guide Update



SEL-2022-057: Multiple Topics

September 23, 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.



Temporary Buydown Enhancements

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

Effective Date: Locks on and after September 23, 2022.

We are pleased to announce the following enhancements to our Temporary Buydown offering:

- Expanding maximum loan amount from \$650,000 to \$2MM for Portfolio fixed-rate loans.
- Removing maximum debt-to-income (DTI) restriction of 43% for non-delegated lenders on Agency (Fannie Mae and Freddie Mac) and Portfolio Fixed Rate loans.

Product Guide Clarifications

In addition to these expanded offerings, we have also taken this opportunity to clarify existing parameters in our product guides so that the Temporary Buydown section within each product guide is consistent.

Please review the updated product guidelines for all parameters as these are highlights only.

Reminder: Streamlined Correspondent Relations Email

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

In **SEL-2022-050**, we announced that effective October 1, 2022, we would soon consolidate two U.S. Bank Correspondent Relations shared email addresses into one, single-point of contact as follows:

Shared Email Eliminated	New Single-Point of Contact Email
Owensboroloanreview@usbank.com	Correspondentloanreview@usbank.com

U.S. Bank Correspondent Relations

As a reminder, for loans submitted for purchase, lenders may utilize the **Correspondent Relations** single point of contact for questions regarding:

- Loan Status
- Funding
- Conditions
- Delivery and Funding requirements

Updated Correspondent Lending Directory

We have also updated our [Correspondent Lending Directory](#) which is now available in the Directory Library within AllRegs.

Compliance 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 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

U.S. Bank has updated our Compliance section (400.13: National Flood Insurance Act and Flood Disaster Protection Act) of the Correspondent Seller and HFA Lending Guides as follows:

- Added the following statement to page 14:
 - Force placement flood policies: We do not purchase loans with Lender force placement flood insurance policies.

Guide Update: 400.13: National Flood Insurance Act and Flood Disaster Protection Act

Agency Underwriting 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 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 and for all loans currently in the pipeline

U.S. Bank is announcing the recent updates to Agency Guidelines impacting the following:

- Fannie Mae – Personal Gifts
- Freddie Mac - Gift Funds and Gift Letter Requirements
- Freddie Mac – Employment/Income Characteristics – Income Reported on IRS Form 1099 for Services Performed

Fannie Mae – Personal Gifts

Acceptable Donors: Fannie Mae has expanded the list of acceptable gift donors to include a non-relative that shares a familial relationship with the borrower, specifically a former relative, relative of domestic partner, and godparent.

Transfer of Gift Funds: Fannie Mae clarified that evidence of electronic transfer of funds from a donor's account to the borrower's account or to the closing agent represents acceptable documentation to meet the requirement for verifying donor availability of funds and transfer of gift funds.

Freddie Mac – Gift Funds and Gift Letter Requirements: Freddie Mac has updated their requirements to permit graduation gifts from a related or unrelated person(s) as an eligible source of funds for a purchase of a Primary Residence. The following documentation must be obtained:

- Evidence of graduation from an educational institution (e.g., diploma or transcripts) that supports the date of graduation
- A verification of the gift funds in the Borrower's depository account. Gift funds must be deposited within 90 days of the date of graduation.

In addition, Freddie Mac has updated their requirements to allow gift letters to state the maximum amount of the gift funds or gift of equity or the actual amount. This change will eliminate the need to obtain a corrected gift letter, should the actual amount of the gift be less than the amount stated on the gift letter. This change does not eliminate the requirements for resubmission to LPA per [Section 5101.6](#).

Freddie Mac – Employment / Income Characteristics – Income Reported on IRS Form 1099 for Services Performed (Contractor / Contingent Worker): Freddie Mac has updated their Guide to specify that income received on IRS Form 1099 for services performed (often referred to as Contractor or Contingent worker) may be treated as self-employed income per [Guide Chapter 5304](#) or non-self-employed income when certain requirements are met per [Guide Chapter 5303.2](#).

To be considered as non-self-employed income, the following requirements must be met:

- The Mortgage file must include:
 - IRS Form 1099(s) for services performed for most recent two calendar years
 - Tax return (pages one and two and applicable schedules) for the most recent year (Updated)
 - YTD income documentation (Updated)
- A two-year history of receipt is required. However, in certain instances, a shorter history of no less than 12 months documented on the tax returns may be considered stable if the Seller provides a written analysis and sufficient supporting documentation. (Updated)
- IRS Schedule C must evidence the following: (New)
 - Gross receipts or sales are equal to the total amount(s) reported on IRS Form 1099(s)
 - Total expenses are $\leq 5\%$ of gross receipts or sales after deducting non-cash expenses (e.g., depreciation)
 - Cost of goods sold = \$0
 - 12-month history of 1099 income and reported expenses
 - If it is determined that the Borrower is a sole proprietor, the requirements and guidance in [Chapter 5304](#) must be followed.

Special Feature Codes/Investor Feature Identifiers

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 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: Effective with loans delivered on and after **November 17, 2022**.

We have added new forms to our Correspondent Seller and HFA Lending Guides that will assist lenders in providing the Fannie Mae Special Feature Code (SFC) and Freddie Mac Investor Feature Identifier (IFI) for all applicable loans during the file submission process to U.S. Bank.

Agency - Special Feature Code (SFC)/ Investor Feature Identifier (IFI)

Please provide information for any of the Fannie Mae Special Feature Codes (FN SFC) and Freddie Mac Investor Feature Identifiers (FH IFI), as applicable, and include the form in the closed loan file delivered to U.S. Bank.

Correspondent	HFA
With the exception of Government, Easy D, Portfolio, or Non-Delegated loans, this form is required for all other Correspondent loans with any of these features.	With the exception of Government, Non-Delegated loans, this form is required for all HFA loans with any of these features.

Examples include:

- Transaction is secured by properties with income-based resale restrictions terminating upon foreclosure. (FN & FH 630)
- Military Borrower absent from their home for an extended period of time due to a deployment. (FN 754 / FH D76)
- SSN Positively Validated through Social Security Administration. (FN 162)

Lenders are encouraged to review the new forms in their entirety for a list of all applicable requirements as the items above are examples only.

Guide Update: [Correspondent](#) and [HFA](#) Form 1143.22: Agency Special Feature (SFC)-Investor Feature Identifier (IFI).

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

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.

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.