



Seller Guide Update



SEL-2022-063: Multiple Topics

October 28, 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.



Form 4506-C Request for Transcript of Tax Return Updates Coming Soon

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

On May 6, 2022, the Internal Revenue Service (“IRS”) released a draft of a revised Form 4506-C. Form 4506-C allows cleared and vetted Income Verification Express Service (“IVES”) participants to request tax return information with permission from an authorized taxpayer. The IRS posted about the changes to the form in the [Federal Register](#) and invited written comments through August 15, 2022. The IRS is expected to post the updated form for use in later in mid-October and mandate use of the form by December 1, 2022.

Lenders are encouraged to review the information shared by the IRS for complete details of all changes, as well as your respective document providers. The following items are highlights of changes to the new draft of Form 4506-C:

- The draft version of the form includes many changes to make the form better suited for optical character recognition (“OCR”) modernization efforts which will enhance the automated process of the form. The new form will no longer permit any editing of the form.
- Must be a clean typed copy of the 4506-C form.
 - Handwriting is unacceptable, except for the Signature and/or Sign Date and/or Title.
 - The form cannot be a combo of handwritten and typed.
 - We expect this requirement to affect only 1% of our current 4506-C submissions.
- Lines 1a. and 2a. provide the current name of the tax filer and joint spouse, if applicable, instead of the tax filer name(s) from last tax return.
- New lines 1c. and 2c. have been added to provide the names of tax filers on the last tax return, if different from current name(s) in 1a and 2a.
- Line 5a. now includes a new section for the IVES participant ID number, in addition to the IVES participant name, address, and SOR mailbox ID.
- New line 5c. provides space to add an optional unique identifier. It can be entered with “up to 10 numeric characters to create a unique identifier that will show in the mailbox file information.”
- New line 5d. includes the client’s name, address, and telephone number. The form and instructions state that this section cannot be left blank or marked as not applicable (NA). The instructions for Line 5d. notes that the client company is the party that receives the requested tax transcripts from the IVES participant. If the IVES participant is also the client company, the IVES participant information will be the same on lines 5a. and 5d.
- Line 7 now has additional spaces added. Line 7a. allows for up to three tax form numbers to be added and line 7b. provides boxes to indicate to which taxpayer(s) the request for wage and income transcripts applies. If no boxes are marked, transcripts will automatically be provided for all listed taxpayers.
- The signature section adds a new box for each signer to check when the form is being electronically signed. Forms signed electronically without the box marked by the signer will be rejected. Only authorized IVES participants are allowed to submit requests with electronic signatures.

Given this update, U.S. Bank anticipates sharing additional information once final details are shared by the IRS.

Rural Housing Handbook Update Chapter 11

Underwriting/Delivery	
<input checked="" 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 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

Effective Date: Immediately

Rural Development has made updates to their handbook HB-1-3555 Chapter 11 Ratio Analysis

Chapter 11 Ratio Analysis

Total Debt Ratio

Clarified payment amount listed on credit report will be used in Total Debt Ratio, unless verification is obtained which supports an alternate payment amount.

Student Loans

Regardless of payment status lenders must use:

- The payment amount reported on the credit report or the actual documented payment, when the payment is above zero or
- One half (.50) percent of the outstanding loan balance documented on the credit report or creditor verification when the payment amount is zero.

Automobile Allowances section renamed Expense Allowances

- The full monthly debt associated with the expense must be included in the DTI. Chapter 9 addresses the calculation income for the expense allowance.

Compensating Factors

- Payment shock as a compensating factor has been removed.

Medical Payments

- Added to the list of obligations not included in DTI calculations.

Guide Updates: 715.7.2 Student Loan Debt Calculation

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.