



Best Practices



November 2022 – Top Quality Findings

November 4, 2022

☒ Correspondent Lending

☒ Housing Finance Agency (HFA)

Top Quality Findings

U.S. Bank provides information to help lenders submit complete loan files for purchase. This information provides the most recent Quality Findings and Best Practices to cure.

Rank	Document/Finding	Common Errors	Best Practice
1	IRS Form 4506	<ul style="list-style-type: none"> The IRS Form 4506 was not properly executed by all parties. The IRS Form 4506 was completed inaccurately. The IRS Form 4506 was missing. 	<ul style="list-style-type: none"> Separate IRS Form 4506 is required for each borrower whose income is used to qualify including Individual 1040, Joint 1040, S-Corp 1120S, Partnership 1065, Corporation 1120. It may be necessary to have the borrower(s) complete and sign multiple IRS Form 4506 depending on the transcripts required to validate all sources of income. Alterations to the form are not allowed. Borrower information on the IRS Form 4506 must match the tax return being requested including: <ul style="list-style-type: none"> Name, including middle name or initial if applicable Business Name Current Address and previous if applicable Tax Form Number Legible Signatures Business Title in section beneath the Signature
2	HUD 92900-A	<ul style="list-style-type: none"> The HUD 92900A not properly executed by all parties. 	<ul style="list-style-type: none"> See the attached Job Aid Note: Failure to provide properly executed document will result in the un-insurability with FHA and non-purchase by U.S. Bank.
3	Assets - Gift	<ul style="list-style-type: none"> Missing documentation of gift funds. Missing evidence of the transfer of gift funds. Missing evidence of the receipt of gift funds. 	<ul style="list-style-type: none"> Verify the gift by: <ul style="list-style-type: none"> Obtaining a signed Gift Letter. Documenting the transfer of the funds from the Donor to the Borrower. Examples include Bank Transfer showing Donor's withdrawal and Borrower's deposit, Wire Transfer showing Donor's withdrawal and Borrower's deposit, Cancelled Check with corresponding bank statements for Donor and Borrower's deposit. Funds transferred/deposited with the Closing Agent must include proof of receipt from the Closing Company. Ensuring the gift comes from an eligible source (as defined in the Selling Guide) and does not come from an interested party to the transaction. If the gift is a grant that the borrower is obligated to repay enter a corresponding liability on the loan application to be included in the debt-to-income ratio and document the terms of the loan. Verify the Gift of Equity by: <ul style="list-style-type: none"> Obtaining a fully executed Gift Letter. Gift reflected as a credit on the Closing



This document is not a Consumer Credit Advertisement and is intended for Correspondent/HFA use only. This information is provided to assist Correspondents/HFA and is not a consumer credit advertisement as defined by Regulation Z. Loan approval is subject to credit approval and program guidelines. Not all loan programs are available in all states for all amounts. Interest rates and program terms are subject to change without notice. Mortgage and Home Equity products are offered by U.S. Bank National Association. Deposit Products offered by U.S. Bank National Association. Member FDIC. ©2022 U.S. Bank. CR-21758759

Rank	Document/ Finding	Common Errors	Best Practice
4	Assets - Insufficient funds to close/ reserves	<ul style="list-style-type: none"> Missing documentation to verify sufficient funds to close and/or reserves. Funds to close and/or reserves not documented properly. Unacceptable source of funds for closing and/or reserves. 	<ul style="list-style-type: none"> Provide statements for all accounts included on the Loan Application and/or Automated Underwriting System Tax Proration credit on Closing Disclosure exceeds the actual Property Taxes collected: <ul style="list-style-type: none"> Per FNMA Seller Guide Update 2021-004 issued on 1/29/21 the Tax proration credit showing on the Closing Disclosure cannot be used to qualify the borrower, the borrower's asset must be sufficient to close the loan without the benefit of these credits. Special circumstances may require additional reserves to be documented IE: employment starts after the note date or Rental Properties (REO). Review Product Guidelines for requirements. Document Borrower funds for fees Paid Outside Closing on the Closing Disclosure with Bank Statements. Follow the Documentation Requirements in the Automated Underwriting System (DU and LPA) <ul style="list-style-type: none"> DU Required 2 months asset statements and the file only contained 1 month. Portfolio loans require reserves based on the loan
5	Assets - Source of Funds	<ul style="list-style-type: none"> The asset statements are not free of any unexplained large deposits. Missing documentation of proceeds from the sale of real estate. 	<ul style="list-style-type: none"> Document the source of funds for any "large deposit" if the deposit is needed to qualify the Borrower for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves). <ul style="list-style-type: none"> A "large deposit" is any single non-payroll deposit that exceeds 50% of the sum of the total monthly qualifying income for the Mortgage. Cash-on-Hand is not a typically acceptable source of funds for the down payment or closing costs. <ul style="list-style-type: none"> Provide the fully executed Final Closing Disclosure dated on or before the subject transaction for Net Proceeds from the sale of real estate.
6	Assets - EMD	<ul style="list-style-type: none"> The source of the earnest money deposit (EMD) was not verified. 	<ul style="list-style-type: none"> Verify that the source of the EMD is an eligible asset type and provide supporting documents. The following are examples of acceptable documentation: <ul style="list-style-type: none"> Cancelled check with corresponding bank statement Copy of check and corresponding bank statement showing Check cleared Wire Transfer withdrawal and receipt for deposits with the Closing Agent Company. The EMD must not be counted twice in the evaluation of the Mortgage.

Continued on next page.

Top Quality Findings, continued

Continued from previous page.

Rank	Document/ Finding	Common Errors	Best Practice
7	Credit - Undisclosed Debts/ Excluded Debt	<ul style="list-style-type: none"> The file contained undisclosed liabilities. 	<ul style="list-style-type: none"> Compare multiple months of the same documentation such as paystubs or bank statements against each other and check for multiple occurrences of the same debit or credit to ensure the payment occurs more than once. Watch for potential material payments to financial institutions, individuals, rental/leasing companies, or the IRS, like: Checks, ACH payments, credit/debit payments, and mobile app payments. Items with limited descriptions, recurring amounts on consecutive statements and/or payments to institutions that differ from the payment indicated on the credit bureau amount do not always require additional explanation; however, use discretion to look for signs that it may be an undisclosed debt.

Loan Delivery Checklists

U.S. Bank utilizes multiple methods to reduce loan quality findings and eliminate potential delays in purchase including loan delivery and underwriting checklists located in the **Correspondent Seller and HFA Lending Guides** (1100: Exhibits, Forms, & Checklists).

Please remember to send a complete loan package, including all credit/underwriting documents, to avoid pre-funding and post-funding deficiencies and quality findings. Lenders may not receive notice of loan deficiencies for all items included on the checklist, however, we do require the credit package along with the full closed loan package.

Questions



HFA: Please contact the Housing Finance Agency Hotline at 800.562.5165, option 1 for the HFA Customer Care Team.

Correspondent: Contact your Account Executive or Client Support at 800.200.5881, option 1.

The HUD Form 92900-A, Addendum to Uniform Residential Loan Application is a FHA requirement and must contain signatures from the underwriter, “other lender representatives”, and the loan applicant(s).

Pages 1 & 2 **must** be signed by the Borrower(s) prior to Underwriting per FHA requirements.
Failure to provide properly executed document will result in un-insurability
with FHA and non-purchase by U.S. Bank

HUD Addendum to Uniform Residential Loan Application

OMB Approval No. HUD: 2502-0059 (exp. 12/31/2023)

Part I - Identifying Information HUD/FHA Application for Insurance under the National Housing Act and Borrower Certification		FHA Case No. (include any suffix) 10 digit Case Number and 3 digit ADP Code - must match FHA Connection Case Number Assignment	Mortgagee Case No. 3rd Party Lenders Loan Number
Mortgagee ID 3rd Party Lenders ID Number, this can be found on the FHA Connection Case Number Assignment		Sponsor ID U.S. Bank Home Mortgage ID	Agent ID
Mortgagee Name, Address (include ZIP Code) and Telephone Number 3rd Party Lenders Name, Address and Phone Number Type or print all entries clearly		Name and Address of Sponsor U.S. Bank Home Mortgage Name and Address	Name and Address of Agent
Borrower's Name & Present Address (include ZIP Code) Ensure the name matches FHA Connection and the borrowers current address on the URLA		Property Address (include name of subdivision, lot & block no., & ZIP Code) Ensure the subject property address matches FHA connection including Zip Code. Capture the Subdivision, Lot and Block for the subject property.	
Sponsored Originations	Name of Third-Party Originator 3rd Party Lenders MLO name		NMLS ID of Third-Party Originator 3rd Party Lenders MLO

Part II - Borrower Consent for Social Security Administration to Verify Social Security Number

I authorize the Social Security Administration (SSA) to verify my Social Security Number (SSN) to the Mortgagee and HUD/FHA. I authorize SSA to provide explanatory information to HUD/FHA in the event of a discrepancy. This consent is valid for 180 days from the date signed, unless indicated otherwise by the individual(s) named in this loan application.

Signature(s) of Borrower(s) - Read consent carefully. Review accuracy of Social Security Number(s) provided on this application.

Ensure the borrower information matches FHA Connection and the URLA	
Borrower's Name: _____	Co-Borrower's Name: _____
Date of Birth: _____	Date of Birth: _____
Social Security Number: _____	Social Security Number: _____

Signature(s) of Borrower(s)  _____	Date Signed _____	Signature(s) of Co-Borrower(s)  _____	Date Signed _____
Borrower's signature and date must be prior to Underwriters review. See Underwriter's certification in Part IV - Section A on page 3.			

Part III - Borrower Notices, Information, and Acknowledgment

Public Reporting Burden

Public reporting burden for this collection of information is estimated to average 10 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number, which can be located on the OMB Internet page at <http://www.reginfo.gov/public/do/PRAMain>.

Privacy Act Information

The information requested on the Uniform Residential Loan Application and this Addendum is authorized by the National Housing Act of 1934, 12 U.S.C. § 1701, et seq. The Debt Collection Act of 1982, Pub. L. 97-365, and HUD’s Housing and Community Development Act of 1987, 42 U.S.C. § 3543, require persons applying for a federally insured loan to furnish their SSN. You must provide all the requested information, including your SSN. HUD may conduct a computer match to verify the information you provide. HUD may disclose certain information to Federal, State and local agencies when relevant to civil, criminal, or regulatory investigations and prosecutions. It will not otherwise be disclosed or released outside of HUD except as required and permitted by law. The information will be used to determine whether you qualify as a mortgagor. Failure to provide any of the requested information, including SSN, may result in disapproval of your loan application. This is notice to you as required by the Right to Financial Privacy Act of 1978 that HUD/FHA has a right of access to financial records held by financial institutions in connection with the consideration or administration of assistance to you. Financial records involving your transaction will be available to HUD/FHA without further notice or authorization but will not be disclosed or released by the institution to another Government Agency or Department without your consent except as required or permitted by law.

WARNING: This warning applies to all certifications made in this document.
Anyone who knowingly submits a false claim, or makes false statements is subject to criminal and civil penalties, including confinement for up to 5 years, fines, and civil penalties. 18 U.S.C. §§ 287, 1001 and 31 U.S.C. § 3729

Borrowers name as it appears
in FHA Connection

Borrower Name: _____

10 digit case number
assigned in FHA Connection

FHA Case No.: _____

Caution: Delinquencies, Defaults, Foreclosures and Abuses

Delinquencies, defaults, foreclosures and abuses of mortgage loans involving programs of the Federal Government can be costly and detrimental to your credit, now and in the future. The Mortgagee in this transaction, its agents and assigns, as well as the Federal Government, its agencies, agents and assigns are authorized to take any and all of the following actions in the event loan payments become delinquent on the mortgage loan described in the attached application: (1) Report your name and account information to a credit bureau; (2) Assess additional interest and penalty charges for the period of time that payment is not made; (3) Assess charges to cover additional administrative costs incurred by the Federal Government to service your account; (4) Offset amounts owed to you under other Federal programs; (5) Refer your account to a private attorney, collection agency or mortgage servicing agency to collect the amount due, foreclose the mortgage, sell the property, and seek judgment against you for any deficiency; (6) Refer your account to the Department of Justice (DOJ) for litigation in the courts; (7) If you are a current or retired Federal employee, take action to offset your salary, or civil service retirement benefits; (8) Refer your debt to the Internal Revenue Service for offset against any amount owed to you as an income tax refund; and (9) Report any resulting written off debt of yours to the Internal Revenue Service as your taxable income. All of these actions may be used to recover any debts owed when it is determined to be in the interest of the Mortgagee or Federal Government, or both.

As a mortgage loan borrower, you will be legally obligated to make the mortgage payments called for by your mortgage loan contract. The fact that you dispose of your property after the loan has been made will not relieve you of liability for making these payments. Payment of the loan in full is ordinarily the way liability on a mortgage note is ended. Some home buyers have the mistaken impression that if they sell their homes when they move to another locality, or dispose of it for any other reasons, they are no longer liable for the mortgage payments and that liability for these payments is solely that of the new owners. Even though the new owners may agree in writing to assume liability for your mortgage payments, this assumption agreement will not relieve you from liability to the holder of the note which you signed when you obtained the loan to buy the property. Unless you are able to sell the property to a buyer who is acceptable to HUD/FHA who will assume the payment of your obligation to the lender, you will not be relieved from liability to repay any claim which HUD/FHA may be required to pay your lender on account of default in your loan payments. The amount of any such claim payment may be a debt owed by you to the Federal Government and subject to established collection procedures.



Fair Housing Act

I and anyone acting on my behalf are, and will remain, in compliance with the Fair Housing Act, 42 U.S.C. § 3604, et seq., with respect to the dwelling or property covered by the loan and in the provision of services or facilities in connection therewith. I recognize that any restrictive covenant on this property related to race, color, religion, sex, disability, familial status, or national origin is unlawful under the Fair Housing Act and unenforceable. I further recognize that in addition to administrative action by HUD, a civil action may be brought by the DOJ in any appropriate U.S. court against any person responsible for a violation of the applicable law.

Certification and Acknowledgment

All information in this application is given for the purpose of obtaining a loan to be insured under the National Housing Act and the information in the Uniform Residential Loan Application and this Addendum is true and complete to the best of my knowledge and belief. Verification may be obtained from any source named herein. I have read and understand the foregoing concerning my liability on the loan and Part III, Borrower Notices, Information, and Acknowledgment.

Signature(s) of Borrower(s) - Do not sign unless this application is fully completed. Read the certification carefully and review accuracy of this application.

			
Signature(s) of Borrower(s)	Date Signed	Signature(s) of Co-Borrower(s)	Date Signed
Borrower's signature and date must be prior to the DE Underwriters review and approval in Part IV - Section A on page 3.			

**Pages 1 & 2 must be signed by the Borrower(s) prior to Underwriting per FHA requirements
Failure to provide properly executed document will result in un-insurability
with FHA and non-purchase by U.S. Bank**

Page 3 **Part IV A must** be signed by the Underwriter or Mortgagee Representative for Accept or Approve loans via TOTAL Scorecard
Part IV B must be signed by the DE Underwriter that underwrote the appraisal and issued the FHA Conditional Commitment 92800.5b
Failure to provide properly executed document will result in un-insurability with FHA and non-purchase by U.S. Bank

Borrowers name as it appears
Borrower Name: in FHA Connection

10 digit case number
FHA Case No.: assigned in FHA Connection

Part IV - Direct Endorsement Approval for a HUD FHA-Insured Mortgage

A. Underwriting the Borrower

Date Mortgage Approved: Final Approval Date Date Approval Expires: Date collateral & credit documents expire

For mortgages rated as an “accept” or “approve” by FHA's TOTAL Mortgage Scorecard:

- The information submitted to TOTAL was documented in accordance with Single Family Housing Policy Handbook 4000.1 (SF Handbook) and accurately represents the final information obtained by the mortgagee; and
- This mortgage complies with SF Handbook 4000.1 Section II.A.4.e Final Underwriting Decision (TOTAL) to the extent that no defect exists in connection with the underwriting of this mortgage such that it should not have been approved in accordance with FHA requirements.

I certify that the statements above are materially correct, with the understanding that, in the event HUD elects to pursue a claim arising out of or relating to any inaccuracy of this certification, HUD will interpret the severity of such inaccuracy in a manner that is consistent with the HUD Defect Taxonomy in effect as of the date this mortgage is endorsed for insurance.

Mortgagee Representative Signature Signature of Underwriter or Mortgagee Representative

SIGN HERE

Printed Name: Name of Underwriter or Mortgagee Representative

Title: Title of Underwriter or Mortgagee Representative

----- OR -----

For mortgages rated as a “refer” by FHA's TOTAL Mortgage Scorecard, or manually underwritten by a Direct Endorsement underwriter:

- I have personally reviewed and underwritten the borrower’s credit application;
- The information used to underwrite the borrower was documented in accordance with Single Family Housing Policy Handbook 4000.1 (SF Handbook) and accurately represents the final information obtained by the mortgagee; and
- This mortgage complies with SF Handbook 4000.1 Section II.A.5.d Final Underwriting Decision (Manual) to the extent that no defect exists in connection with the underwriting of this mortgage such that it should not have been approved in accordance with FHA requirements.

I certify that the statements above are materially correct, with the understanding that in the event HUD elects to pursue a claim arising out of or relating to any inaccuracy of this certification, HUD will interpret the severity of such inaccuracy in a manner that is consistent with the HUD Defect Taxonomy in effect as of the date this mortgage is endorsed for insurance.

SIGN HERE

Direct Endorsement Underwriter Signature: _____ DE's ID Number: _____
Only required for REFER or Manually Underwritten loans.

B. Underwriting the Property

For all mortgages where FHA requires an appraisal, I have personally reviewed and underwritten the appraisal according to FHA requirements. I certify that the statements above are materially correct, with the understanding that in the event HUD elects to pursue a claim arising out of or relating to any inaccuracy of this certification, HUD will interpret the severity of such inaccuracy in a manner that is consistent with the HUD Defect Taxonomy in effect as of the date this mortgage is endorsed for insurance.

SIGN HERE

Direct Endorsement Underwriter Signature: _____ DE's ID Number: _____
Must match the signer on the Conditional Commitment 92800.5b for the appraisal

Borrowers name as it appears
Borrower Name: in FHA Connection

10 digit case number
FHA Case No.: assigned in FHA Connection

Part V. Mortgagee's Certification

- I have personally reviewed the mortgage documents and the application for insurance endorsement; and
- This mortgage complies with SF Handbook 4000.1 Section II.A.7 Post-Closing and Endorsement to the extent that no defect exists that would have changed the decision to endorse or submit the mortgage for insurance.

I certify that the statements above are materially correct, with the understanding that in the event HUD elects to pursue a claim arising out of or relating to any inaccuracy of this certification, HUD will interpret the severity of such inaccuracy in a manner that is consistent with the HUD Defect Taxonomy in effect as of the date this mortgage is endorsed for insurance.

Mortgagee Third Party Lender must complete this section Post Closing.	
Name of Mortgagee's Representative	
Title of Mortgagee's Representative	
Signature of the Mortgagee's Representative Signature of Third Party Lender is required	Date Date must be AFTER Loan Closing

Page 4 **must** be signed by the Third Party Lender Representative(s) at or post closing
Failure to provide properly executed document will result in un-insurability
with FHA and non-purchase by U.S. Bank