



Seller Guide Update



SEL-2022-071: Multiple Topics

December 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.



Equifax TWN VOE/VOI Dispute Language

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

Effective Date: December 8, 2022

Due to a Fair Credit Reporting Act (FCRA) regulatory requirement, effective December 8, 2022, Equifax/The Work Number (TWN) will be providing dispute language on any Verification of Employment (VOE)/ Verification of Income (VOI) where a portion of the report is in dispute. The dispute language will only show while the dispute(s) are in progress.

Dispute Language

Dispute in progress disclaimer that will show Dec. 8 until mid-Q1:

“A field(s) within this report is currently being disputed. Disputes are required to be reinvestigated and closed within 30 days. Please note changes to this report may occur based on the result of this dispute reinvestigation. The language will not be at the employer level.”

Dispute in progress disclaimer that will show starting in mid-Q1:

“A field(s) within this record is currently being disputed. Disputes are required to be reinvestigated and resolved within 30 days. Please note changes to this record may occur based on the result of this dispute reinvestigation. The language will show on the appropriate employer level.”

Requirements and Documentation

U.S. Bank will require standard income and employment documentation on all TWN VOE/VOIs with dispute language.

Guide Updates: 711.2 FHA – Underwriting Documentation, 711.2.1 FHA – Tax Transcripts/Income Reverification, 712.2 VA – Underwriting Documentation, 712.2.1 VA – Tax Transcripts/Income Reverification, 713.2 Agency – Underwriting Documentation, 713.2.1 Agency – Tax Transcripts/Income Reverification, 714.1.3 Portfolio – Underwriting Documentation, 714.1.3.1 Portfolio – Tax Transcripts/Income Reverification, 715.2 RD – Underwriting Documentation, 715.2.1 RD – Tax Transcripts/Income Reverification

Freddie Mac Cash-out Refinance Seasoning Requirements

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 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 Correspondent locks and HFA reservations taken on or after December 27, 2022.

U.S. Bank is announcing the recent updates to Freddie Mac guidelines impacting the cash-out refinance seasoning requirements.

Cash-out Refinance Seasoning Requirement

For loans utilizing Loan Product Advisor (LPA) feedback, when proceeds of a cash-out refinance Mortgage are used to pay off a First Lien Mortgage, the First Lien Mortgage being refinanced must be seasoned for at least 12 months. Documentation (e.g., on the previous Note and/or Title Commitment referencing the previous mortgage that includes closing date) in the loan file, must show that at least 12 months must have passed between the Note Date of the Mortgage being refinanced and the Note Date of the cash-out refinance Mortgage.

The seasoning requirement does not apply when:

- The cash-out refinance Mortgage is a special purpose cash-out refinance Mortgage that meets the requirements in [Section 4301.6](#), or
- The First Lien Mortgage being refinanced is a Home Equity Line of Credit (HELOC)

In the future, LPA will return a new feedback message to support this update and Freddie will communicate when the new feedback message will be available.

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
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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

Effective Date: Immediately including loans in the pipeline.

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

- Glossary definition of “Related Person”
- Estates and trusts of Related Persons as eligible donors of gift funds and gifts of equity
- Exclusion of property-related contingent expenses from the DTI ratio
- Exclusion of unsecured assigned debts from the DTI ratio
- Income while on temporary leave

Glossary definition of “Related Person”

Freddie Mac has expanded the Glossary definition of “Related Person” to include unrelated individuals with close, family-like ties to the Borrower. This update expands eligible donors of gift funds and gifts of equity used as a source of funds for the Mortgage transaction, as described in several Guide provisions.

Related Person is now defined as a person that is any of the following:

- The Borrower's spouse, child or dependent
- An individual related to the Borrower by blood, marriage or adoption
- A guardian of the Borrower
- A person for whom the Borrower is a guardian
- The Borrower's fiancée or fiancé
- The Borrower's domestic partner
- An unrelated individual with close, family-like ties to the Borrower

Estates/trusts of Related Persons as eligible donors of gift funds and gifts of equity:

In addition to expanding the Glossary definition of "Related Person," as described above, we have provided further flexibility by adding a trust established by a Related Person and an estate of a Related Person as eligible donors of gift funds and gifts of equity.

The gift letter must be signed by the trustee or the authorized representative of the estate and indicate the gift funds or gift of equity were provided by a trust established by a Related Person or an estate of a Related Person and include the mailing address and telephone number of the trustee or authorized representative, as applicable. Refer to [5501.3: Asset eligibility and documentation requirements](#) for additional information.

Exclusion of property-related contingent expenses from the DTI ratio: Freddie Mac has expanded their requirements for contingent liabilities to permit exclusion of property-related expenses (e.g., taxes, insurance, homeowners association dues, etc.) from the DTI ratio when documentation in the Mortgage file confirms that a party other than the Borrower has been making timely payments for the most recent 12 months and the party making the payments is not an interested party to the subject real estate or Mortgage transaction. Refer to [5401.2: Monthly debt payment-to-income ratio](#) for additional information.

Exclusion of unsecured assigned debts from the DTI ratio: Freddie Mac has removed the requirement that the debt must be secured in order to be excluded from the monthly DTI ratio if the obligation to make the payments on the debt has been assigned to another party by a documented court order, such as a divorce decree. Refer to [5401.2: Monthly debt payment-to-income ratio](#) for additional information.

Income while on temporary leave: Freddie Mac has updated the Guide to indicate that income while on temporary leave does not extend to employer-initiated actions such as furloughs and layoffs. Refer to [5303.5: Income while on temporary leave](#) for additional information.

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
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<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 and areas in Florida have been declared as Presidential Disaster Areas with Individual Assistance.

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

Declaration Date	State	County
December 13, 2022	FL	Brevard, Flagler, Lake, Putnam, St. Johns, Volusia

Guide Section: 711.20 FHA – Natural Disaster Procedures, 712.21 VA - Natural Disaster Procedures, 713.20 - Natural Disaster Procedures, 714.1.10 - Natural Disaster Procedures, 715.20 RD - Natural Disaster Procedures

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.