



Seller Guide Update



SEL-2023-001: Multiple Topics

January 6, 2023

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 because 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.



Agency Underwriting Changes

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 checked="" type="checkbox"/>	HFA Delegated
<input checked="" type="checkbox"/>	HFA Non-Delegated
Products	
<input 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 immediately including loans in process.

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

- Valuation options for deed-restricted properties
- Temporary leave income
- Use of business assets
- Property, flood, and project insurance updates
- Gift letters

Valuation options for deed-restricted properties: Fannie Mae has updated the list of ineligible transactions to specifically restrict properties with resale price restrictions from appraisal waiver and desktop appraisal eligibility. This includes deed restrictions that supersede market pricing at the time of sale of the property.

A community land trust or other deed restriction that does not restrict the future sales price of the property but have deed restrictions based on other criteria, such as borrower income or age, are eligible for a desktop appraisal or appraisal waiver.

Temporary leave income: Fannie Mae has clarified the temporary leave income policy by specifying that mandatory leave initiated by an employer, such as a furlough, is not considered temporary leave.

They have also clarified that income resulting from a furlough, layoff, or other employer-initiated action is not eligible to be used as qualifying income unless it is associated with seasonal employment.

Use of business assets: Fannie Mae has simplified the documentation requirements when self-employment income is not being used to qualify for the loan, but the borrower is using assets from their business towards down payment, closing costs, and/or financial reserves.

The lender is not required to perform a business cash flow analysis, provided the borrower is listed as an owner of the account and the account is verified in accordance with [B3-4.2-01, Verification of Deposits and Assets](#).

Property, flood, and project insurance updates: Fannie Mae has updated the requirements in Selling Guide [Chapters B7-3, Property and Flood Insurance and B7-4, Liability and Fidelity/Crime Insurance Requirements for Project Developments](#) to better align their insurance requirements with current industry standards, and to address common questions.

Updated sections include:

- Builder/Developer Property Insurance Policies
- Deductible Amounts
- Policies Covering Multiple Projects

Gift letters: Fannie Mae has updated their [B3-4.3-04, Personal Gifts](#) policy to allow gift letters to specify the actual or the maximum dollar amount of the gift. Additionally, they have removed the requirement that gift letters must specify the date the funds were transferred. The gift letter requirements apply to both personal gifts and gifts of equity.

Guide Updates: 811.6 PAD - Insurance Requirements for Conventional Loans

RD Chapter 9 and 15 Update

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 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: January 9, 2023

The Rural Development Single Family Housing Guaranteed Loan Program (SFHGLP) is making revisions to Chapters 9 and 15 of the Handbook 1-3555.

Chapter 9 Income Analysis

Paragraph 9.3 is being revised

- Clarify that lenders must verify the income of each adult household member for the previous 2 years
- Clarify under “full income documentation”, the lender must obtain W-2s or IRS Wage and Income transcripts, in addition to paystubs.
- Change the term “streamlined documentation” to “alternative income documentation” to remove confusion with the streamlined refinance product.
- Clarify under “self-employed income documentation” that if ownership interest is less than 25%, neither the “Business Owner” or “Self-Employed” options should be selected in GUS.
- Verbal Verification of Employment must be obtained within 10 business days of loan closing and confirmation a self-employment business remains operational must be obtained within 30 days of loan closing, which may differ than the note date that is currently referenced . U.S. Bank will remove our current overlay and follow RD Guidelines.

Paragraph 9.8 is being revised

- Clarify it is the lender’s responsibility to review gaps in employment and determine if the income is stable and dependable. In addition, this paragraph is being revised to clarify a business loss from a closed business may be removed from consideration under the same circumstances that self-employment income from a closed business can be removed from consideration

Attachment 9-A is being revised

- Revising “Automobile Allowance” and “Expense Allowance” guidance to allow the full expense allowance to be included as repayment income and the full debt counted in DTI, as well as updating the required history to two years.
- To clarify that “Boarder Income” refers to rental income received from an individual renting space inside the dwelling, making the property income producing and therefore ineligible.
- Revising “Bonus” and “Overtime” income to clarify the one-year history must be in the same or similar line of work.
- Revising the “Child Support” and “Separate Maintenance/Alimony” guidelines to simplify the guidance, remove inconsistencies within the current guidance, and clarify that income that meets the minimum history, but the payment amounts are not consistent, must use an average consistent with the payor’s current ability/willingness to pay for repayment income.

RD Chapter 9 and 15 Update, continued

Attachment 9-A is being revised (continued)

- To clarify that employer-provided fringe benefits that are reported as taxable income may be included in repayment income.
- Simplifying the guidance on considering mileage deductions, referring to IRS guidance when a mileage deduction is claimed on income tax returns.
- Removing the requirement to obtain a copy of the IRS W-4 document when using a Mortgage Credit Certificate as income.
- Revising “Secondary Employment” guidance to clarify that the applicant must have a one-year history of working the primary and secondary jobs concurrently to be considered for repayment income.
- Revising “Section 8 Housing Vouchers” to permit Section 8 vouchers to be treated as a reduction of the PITI when the benefit is paid directly to the servicer, rather than solely an addition to repayment income. Subsequently, provided clarification that a manual file submission is required in this instance and clarified that when lenders use the benefit as a reduction of the PITI, they must maintain documentation in their permanent loan file to support the benefit is paid directly to the servicer. Due to systems constraints and servicing requirements U.S. Bank will not be implementing allowing the PITI reduction.
- Revising the “Unreimbursed Employee or Business Expenses” guidance to reflect instances where the IRS continues to allow these deductions.
- Adding categories providing guidance on Guardianship/Conservatorship Income, Individual Retirement Account (IRA) Distributions, and Variable Income.
- Revising guidance for sourcing deposits in depository accounts to simplify the process and become more consistent with the lending industry. Clarified that all recurring deposits, as well as non-recurring deposits greater than \$1,000, need to be reviewed to confirm the deposits are not from undisclosed income sources.
- To clarify that gift funds applied as Earnest Money should not be entered on the “Loan and Property Information” GUS application page.
- Adding a category providing guidance on “Lump Sum Additions.”
- To clarify in the “Retirement” section that funds borrowed against retirement accounts (e.g., 401(k), IRA, etc.) are eligible for funds to close, but are not considered in reserves.

Attachment 9-E is being revised:

- To reflect a two-year required history for “Capital Gain or Loss” to be consistent with the current guidance in Attachment 9-A.

Chapter 15: Attachment 15-A is being revised as follows:

- Removing the requirement to submit evidence of qualified alien requirements on page 1, as it is not required to be submitted to the Agency on GUS Accept files. To change the term “streamlined documentation” to “alternative income documentation” on page 2, to remove confusion with streamlined refinance product.
- To clarify a Verification of Rent is required for manually underwritten loans with credit scores less than 680.

Guide Updates: 715.4 RD – Effective Income, Correspondent Government Delegated Overlay, Correspondent Government Non-Delegated Overlay, HFA Government Delegated Overlay

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.