



Seller Guide Update



SEL-2023-014: Multiple Topics

March 17, 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.



Reminder: HUD Mortgagee Letter 2023-05

Underwriting/Delivery	
X	Corr. Delegated
X	Corr. Non-Delegated
	Corr. EZD
X	Corr. Mandatory
X	HFA Delegated
X	HFA Non-Delegated
Products	
	Conv. (Freddie)
	Conv. (Fannie)
	Conv. (Portfolio)
X	FHA
	VA
	Rural Development

As a reminder, and as published in **SEL-2023-011** on March 3rd, U.S. Bank announced our alignment with HUD's recent Mortgagee Letter (ML) 2023-05, which announced the reduction of Federal Housing Administration (FHA) annual Mortgage Insurance Premium (MIP) rates. The Mortgagee Letter reduces the rate for annual MIP, effective for loans endorsed on or after March 20, 2023. U.S. Bank will purchase loans with reduced premium amounts if the date of insuring (endorsement) is on or after March 20, 2023.

Any loan insured prior must use the current premiums.

For additional information, please also refer to the [FHA FAQs here](#). We have included a few of the specific questions here for convenience, as shared by FHA.

Scenario	Question	Answer
Loans closed not yet endorsed	For loans that already closed, not yet endorsed – if a lender wants to take advantage of the Annual Mortgage Insurance Premium (MIP) reduction, can they wait until March 20, 2023, to endorse the loan? If so, do they have to re-close the loan, re-run FHA's Technology Open to Approved Lenders (TOTAL) Mortgage Scorecard and re-underwrite?	Yes, if the Lender can satisfy all FHA and other applicable requirements, including required timeframes for endorsement and delivery and updating disclosures as needed. The loan does not need to be re-closed, re-underwritten, or rescored through FHA's Technology Open to Approved Lenders (TOTAL) Mortgage Scorecard. For additional information on the Annual MIP premium reduction see Mortgagee Letter 2023-05 at https://www.hud.gov/program_offices/administration/hudclips/letters/mortggee .
Loans not yet closed	For loans currently in the pipeline, not yet closed – how does a lender take advantage of the Annual Mortgage Insurance Premium (MIP) reduction?	If the loan is not yet closed, the Lender may update the Borrower's monthly payment obligation to reflect the lower Annual Mortgage Insurance Premium (MIP) (which Mortgagee Letter (ML) 2023-05 makes effective for all endorsements on or after March 20, 2023). For FHA's Technology Open to Approved Lenders (TOTAL) Mortgage Scorecard, the loan can be rescored with the updated payment information. Re-underwriting the Borrower's payments and re-scoring through TOTAL is not required. To process any loan with the lower MIP rates, the Lender must be able to endorse on or after March 20, 2023 and satisfy all FHA and other applicable requirements.
No Impact on UFMIP	Do the changes announced in Mortgagee Letter 2023-05 affect the Upfront Mortgage Insurance Premium (UFMIP) or the process to submit it?	There are no changes to the Upfront Mortgage Insurance Premium (UFMIP) remittance process and UFMIP should continue to be paid on time. Lenders must comply with late endorsement requirements if the loan endorsement occurs more than 60 days past closing.

**Reminder: HUD
Mortgagee Letter
2023-05,
continued**

[FHA FAQs](#) continued:

Scenario	Question	Answer
FHA Connection will be updated	Will FHA Connection be updated to reflect the lower Annual MIP for all cases that have not yet been endorsed by March 19, 2023?	FHA Connection will be updated to reflect the lower Annual Mortgage Insurance Premium (MIP) rates for all cases endorsed on/after March 20, 2023.
Loans receiving NOR	How does the change in the Annual Mortgage Insurance Premium (MIP) rate affect those loans that have received a Notice of Return (NOR)?	The Annual Mortgage Insurance Premium (MIP) rate change announced in Mortgagee Letter 2023-05 is based on the endorsement date so if the Notice of Return (NOR) is lifted and the loan is endorsed on or after March 20, 2023, the new Annual MIP rates apply.
No new Case Number necessary	Do I need to get a new case number to take advantage of the new Annual Mortgage Insurance Premium (MIP) rates?	No, you do not need to cancel the case number and get a new one to get the updated Annual Mortgage Insurance Premium (MIP) rate. The new rates are based on loan endorsement date, not case number assignment date.

Guide Update: FHA product guidelines will be updated closer to the effective date.

Reminder: Fannie Mae Cash-out Refinance Seasoning Requirements

As announced in **SEL-2023-10** published February 17th, effective with Note dates on or after April 1, 2023, U.S. Bank is aligning to the recent updates to Fannie Mae guidelines impacting the cash-out refinance seasoning requirements as shown below.

Cash-out Refinance Seasoning Requirement

For loans utilizing Desktop Underwriter® (DU®) 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., previous mortgage note, on the credit report or title commitment) 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:

- any existing subordinate liens being paid off through the transaction, or
- when buying out a co-owner pursuant to a legal agreement.

The DU® message issued on cash-out refinance loan casefiles will be updated in a future release to reflect the updated requirement. Please note that loans subject to 50(a)(6) of the Texas Constitution (Texas Equity Loans) are required to be seasoned in accordance with Texas Law, which supersedes investor requirements.

Reminder: Freddie Mac Cash-out Seasoning Requirements

This change aligns with loans utilizing Loan Product Advisor (LPA) feedback that was announced in **SEL-2022-071**.

Guide Update: The following Product Guidelines have been updated: HFA Product Guidelines and the following Correspondent Guidelines: FNMA Fixed Rate Conforming (3501, 3502, 3503, 3507)

Underwriting/Delivery	
X	Corr. Delegated
X	Corr. Non-Delegated
	Corr. EZD
X	Corr. Mandatory
X	HFA Delegated
X	HFA Non-Delegated
Products	
	Conv. (Freddie)
X	Conv. (Fannie)
	Conv. (Portfolio)
	FHA
	VA
	Rural Development

Update on Agency COVID-19 Underwriting Guidelines

Underwriting/Delivery	
X	Corr. Delegated
X	Corr. Non-Delegated
X	Corr. EZD
X	Corr. Mandatory
X	HFA Delegated
X	HFA Non-Delegated
Products	
X	Conv. (Freddie)
X	Conv. (Fannie)
	Conv. (Portfolio)
	FHA
	VA
	Rural Development

Effective Date: Immediately

In accordance with Agency guidance, U.S. Bank is pleased to announce the expiration of the remaining temporary COVID-19 related underwriting requirements.

Self-Employed Borrowers

The additional steps to confirm the borrower's business is open and operating within 20 business days prior to the note date are no longer required.

As a reminder, when a Borrower is using self-employment income to qualify, the existence of the Borrower's business must be verified no more than 120 days prior to the Note Date.

Due Diligence - Mortgage Payment History

The requirement for all borrowers to provide evidence that all existing mortgage payments were made in the month due is being removed. The original intent of this requirement was to provide additional assurance that the borrower had not entered a COVID-19 related forbearance during the course of the loan review.

If an AUS Accept/Eligible is received, no additional review is required by Fannie or Freddie. If the credit report is showing delinquency on a mortgage payment, standard Agency guidelines would apply.

U.S. Bank will not purchase or originate any loan that is currently in deferment or forbearance of their mortgage payment.

Refer to Section 713.9 Credit/Debt Underwriting > Deferment or Forbearance of Mortgage Payment Reminder for additional details.

AUS Feedback

Any AUS messages referencing the temporary COVID-19 related requirements will be expired in the future and can be disregarded until that time.

COVID-19 FAQ

As a result of the expiration of the remaining temporary COVID-19 related requirements, the COVID-19 Temporary Guidance and associated FAQ have been removed.

Guide Updates: 713.9 Agency – Credit/Debt Underwriting, 713.9.3 Agency - Purchase and Refinance Eligibility Requirements for Borrowers with Existing Mortgages under CARES Act COVID-19 Forbearance Status, 713.9.4 Agency - Purchase and Refinance Eligibility Requirements for New Loans to Borrowers who have/had any Mortgage under CARES Act COVID-19 Forbearance Status

Update to Portfolio Underwriting Guidelines

Underwriting/Delivery	
X	Corr. Delegated
X	Corr. Non-Delegated
	Corr. EZD
	Corr. Mandatory
	HFA Delegated
	HFA Non-Delegated
Products	
	Conv. (Freddie)
	Conv. (Fannie)
X	Conv. (Portfolio)
	FHA
	VA
	Rural Development

Effective Date: Immediately including loans in the pipeline.

U.S. Bank has made recent clarifications to our Portfolio Underwriting Guidelines. This Seller Guide Update is a notification of the updates now shown in green in the AllRegs library.

714.1.2 Lending Policy

- Minor Updates
- Changed the loan amounts for each of the segments associated with the maximum spread between APR and APOR allowed for Qualified Mortgage/QM loans to align with the updated limits published by the Consumer Financial Protection Bureau (CFPB).

714.1.4 Borrower and Occupancy

- Minor Updates

714.1.5.1 Credit

- Minor Updates
- Clarified that not only is the previous mortgage and rental payment history reviewed, but the payment on home equity is reviewed as well, and clarified it is reviewed on all properties.
- Clarified review of the previous mortgage, home equity and rental payment history is required, however if there is no prior history it does not prohibit the borrower from obtaining credit.

714.1.6 Assets/Funds to Close

- Clarified that virtual currency must be seasoned 60 days or more prior to closing.
- Clarified the debt payment on borrowed funds must be included in the DTI calculation when the applicant is using borrowed funds for funds to close.

714.1.7 Secondary Financing

- Clarified a refinance is not allowed when the first or second lien is in the process of a loan modification.

714.1.9 Property

- Clarified the cash/equity out 180-day seasoning rule exemption applies to a new second lien loan or line of credit by removing the term “when refinancing”.

714.2.2.1 Borrower Eligibility

- Allow a waiver to the income restrictions applied to borrowers returning to work after an extended absence if it is sufficiently justified and documented.

**Update to
Portfolio
Underwriting
Guidelines,
continued**

714.2.2 Income

- Removed commission income from the category “General Documentation Requirements for Other Types of Income”.
- Allow business income that shows a decline year over year to be used when considering a business’s financial strength when it is sufficiently justified and documented.
- Added a requirement that capital gains or losses from the trading of virtual currency [cryptocurrency, digital currencies or altcoins (e.g., Bitcoin, Litecoin, Ethereum, etc.)] is not allowed.

714.2.2.2.1 Salary Wage and Other Forms of Income

- Removed the “Commission Income” section of policy.
- Added commission income to the list of what is considered variable income.
- Removed the category title “Establishing a Variable Income Earning Trend” and rely upon the previous category title of “Variable Income” to capture the policy content.
- Clarified the language within variable income covering when income other than the year with the income decline is allowed to be used; it must also be documented.

714.2.3.1 Liability Assessment

- Minor Updates
- Clarified the Student Loan payments and what payment should be use.

719.02 Subordination Policy

- Clarified a subordination is not allowed when the lien position of the subject. loan/line was originally a second lien and there is currently no first lien/the first lien was paid off.

Minor Updates - The following sections had minor updates:

- 714.1.10 Appraisals
- 714.2.2.3 Non-Employment Income

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.
