



Best Practices



May 2023 – Top Quality Findings

May 5, 2023

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	HUD 92900-A	<ul style="list-style-type: none"> The HUD 92900A not properly executed by all parties. 	<ul style="list-style-type: none"> Pages 1-2 must be signed and dated by borrower(s) prior to the Underwriting Approval. Page 4 must be signed and dated after closing by the third-party lender representative certifying review of the mortgage documents and that no defects exist that would impact insurability. <u>This form is required with purchase submission regardless of insuring status.</u> Please refer to the attached Job Aid for completion of the new HUD 92900-A.
2	Residential Purchase Agreement	<ul style="list-style-type: none"> Missing fully executed sales contract with all addendums 	<ul style="list-style-type: none"> Review for accuracy of sales price and closing date, include signed and dated amendments if applicable. All attachments referenced in the Sales Contract must be included in the closed loan file including Amendments, Addendums, Disclosures, Contingency Agreements & Exhibits. Review the attachments for initials or signatures and date as applicable. VA Escape Clause - The Escape Clause must be signed by the Veteran buyer and the seller on all VA-guaranteed purchase transactions - OR - FHA Amendatory Clause - The lender must provide the amendatory clause, signed by the borrower and seller, if it is not contained in the purchase agreement.



**Top
Quality
Findings,
continued**

Continued from previous page.

Rank	Document/ Finding	Common Errors	Best Practice
3	Assets	<ul style="list-style-type: none"> Missing evidence of the transfer of gift funds 	<ul style="list-style-type: none"> Gift funds received by the closing agent can be reflected as a line item on the Closing Disclosure (CD), and the closing agent needs to provide proof of receipt of the gift funds such as a wire receipt or certified check from the donor. When funds are deposited with the closing agent the lender will still need to document the donors' ability to gift. Gift funds should be reflected on the Automated Underwriting System (DU/LPA/GUS) and documented per the feedback messages.
		<ul style="list-style-type: none"> Insufficient funds to close/reserves 	<ul style="list-style-type: none"> Asset statements should cover the time frame outlined in the AUS findings for Agency and Government loans. Two months consecutive statements are required to document funds for closing and reserves on portfolio loans. Review the AUS findings, product guidelines and credit policies for reserve requirements on all loan types. Minimum required reserves vary depending on the transaction, the occupancy status and amortization type of the subject property, the number of units in the subject property, the number of other financed properties the borrower currently owns, and employment is scheduled to begin after the loan closes.
		<ul style="list-style-type: none"> Large deposits not documented 	<ul style="list-style-type: none"> To source a large deposit, please provide the following: <ol style="list-style-type: none"> A letter of explanation for the deposit. This can be a simple email or note describing the deposit. A copy of the deposited check or canceled check. If the funds originate from a gift, you will need a Gift Letter and Donor Statement. If the funds are from the sale of real estate owned, you will need the Settlement Statement or similar document and proof of receipt such as wire receipt or bank statement showing the funds deposited. If the borrower is using secured borrowed funds you will need to document the borrower's ownership of the asset, proof of distribution and receipt of the funds in a financial institution. Repayment may need to be included in the debt ratios.

**Top
Quality
Findings,
continued**

Continued from previous page.

Rank	Document/ Finding	Common Errors	Best Practice
4	Income and Employment	<ul style="list-style-type: none"> Missing paystubs/W-2's documenting employment. 	<ul style="list-style-type: none"> There are several documents that can serve as proof of income that is being used to qualify. This verification can be provided by the borrower, by the borrower's employer, or by a third-party employment verification vendor. The AUS feedback certificate will outline the documents required for agency loans. A full two-year history is required for portfolio loans. Ensure the file contains documentation for all income sources used to qualify for all borrowers.
		<ul style="list-style-type: none"> The file does not contain the appropriate self-employment documentation. 	<ul style="list-style-type: none"> Verification of all businesses, regardless of income or loss, that were used for qualifying are required. Current income verification including Profit and Loss Statements with Balance sheets may be required.
		<ul style="list-style-type: none"> Income used to qualify was not calculated accurately. 	<ul style="list-style-type: none"> Utilize/include income calculation worksheets. Provide explanations for deviations from standard income calculations.
		<ul style="list-style-type: none"> Documentation to support the rental income are missing from the file. 	<ul style="list-style-type: none"> Review the AUS findings, product guidelines and credit policies for rental income documentation requirements on all loan types. Rental income is an acceptable source of stable income if it can be established it is likely to continue. Ensure lease agreements provided are current or have automatic renewal.
5	Loan Delivery Checklists	<ul style="list-style-type: none"> Missing Documentation 	<ul style="list-style-type: none"> Submit complete loan package, including all Agency and Non-Agency Underwriting conditions, all credit, and underwriting documents. U.S. Bank provides Loan Delivery Checklists to assist in reducing missing documentation from the file. Checklists are in the Correspondent Seller and HFA Lending Guides (1100: Exhibits, Forms, & Checklists). Refer to the linked checklists on page 4.

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 and HFA Lending Guide** (1100: Exhibits, Forms, & Checklists):

- **Correspondent**
 - [1141.1: Conventional Closed Loan Documentation Requirements](#)
 - [1141.2: Government Closed Loan Documentation Requirements](#)
- **HFA**
 - [Conventional Loan Delivery Checklist](#)
 - [Government Loan Delivery Checklist](#)

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



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.

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
Mortgage ID Third 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
Mortgage Name, Address (include ZIP Code) and Telephone Number Third Party Lenders Name, Address and Phone Number <small>Type or print all entries clearly</small>	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 Third Party Lenders MLO name	NMLS ID of Third-Party Originator Third 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: _____ Date of Birth: _____ Social Security Number: _____	Co-Borrower's Name: _____ Date of Birth: _____ Social Security Number: _____
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Signature(s) of Borrower(s) SIGN HERE Date Signed _____	Signature(s) of Co-Borrower(s) SIGN HERE Date Signed _____
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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

10 digit case number
assigned in FHA Connection

Borrower Name: _____

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

Borrower Name: Borrowers name as it appears in FHA Connection

FHA Case No.: 10 digit case number 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

Title: _____

----- **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



SIGN HERE

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