



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**

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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
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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.
