



Seller Guide Update



SEL-2023-027: Multiple Topics

May 12, 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.



Fraud - Pre-Funding Income Verification Update

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

Effective Date: Immediately

U.S. Bank is making the following changes to our Fraud – Pre-Funding Income Verification requirements as indicated in **green**.

To help verify the accuracy of large increases in income, for loans underwritten by U.S. Bank, all borrowers (both W2 and Self-employed) who have had a 50% (or greater) increase in current year (YTD) income compared to the prior year income, the borrower’s income documentation must be sent to the U.S. Bank’s Fraud Prevention Department for review as soon as the loan is identified as meeting the 50% income increase (by processing or underwriting) but must be completed prior to final approval.

Loans with a 50% income increase but have the following criteria are not required to be sent for an income review:

- Where borrower could have been approved using previous (lower) income level.
- Where current pay is verified by payroll direct deposits using bank statement obtained by U.S. Bank.
- Loans where current income is verified by Work Number Instant Access VOEs.

This review will be initiated by the business line as soon as the loan is identified as meeting the 50% income increase (by processing or underwriting). The Fraud Prevention Department will conduct the review and respond back to the person who referred the loan to the Fraud Prevention Department once the review is completed. If fraud is suspected, the loan will be denied and an IRF will be filed with USB Enterprise Security.

Guide Updates: 711.4 FHA – Effective Income, 712.6 VA – Effective Income, 713.7 Agency – Effective Income, 714.2.2.2 Portfolio – Effective Income, 715.4 RD – Effective Income

Definition of Self-Employed Borrower

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

Effective Date: Immediately

As a clarification to existing policy, U.S. Bank is providing additional guidance for self-employed borrowers with less than 25% ownership as follows:

Definition Self Employed Borrower: A borrower with a 25 percent or greater ownership interest in a business is considered self-employed and will be evaluated as a self-employed borrower for underwriting purposes. For borrowers with less than 25% ownership and who receive wages, they will be treated as a wage earner and considered a variable source of income. A period of more than two (2) years must be considered and verified using the most recent two years IRS Form K-1.

If they receive income from the business through an IRS Form K-1 and the IRS Form K-1 reflects less than 25% ownership, the income must be evaluated for stability.

For use of ordinary income (loss) or guaranteed payments the underwriter must either:

- Evaluate liquidity of the business as evidenced through the business Federal Income tax returns to show stability of the income is stable, or
- Evaluate the historical cash distributions to determine that they are reasonably consistent with the ordinary business income or guaranteed payments to partners. Reasonably consistent is defined as no more than a 10% variance, or
- If the historical distributions vary by more than 10%, the amount of income (distributions) supported by a history of accessing the income can be used.

The ownership percentage must be verified and applied accordingly to the income trend. The underwriter must determine and justify the income being used to qualify is stable and a two (2) year average should be used.

Guide Updates: 714.2.2.2 Portfolio – Income, Income Analysis Worksheet and Manual

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.