



Seller Guide Update



SEL-2023-030: Multiple Topics

May 26, 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.



Conventional – Tax Liabilities

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)
X	Conv. (Portfolio)
	FHA
	VA
	Rural Development

Effective Date: Immediately

U.S. Bank is announcing updates to our Current IRS Tax Liability policy as follows:

Agency

Refer to: [Fannie Mae B3-6-05: Monthly Debt Obligations](#) or [Freddie Mac 5401.2: Monthly debt payment-to-income ratio](#)

The underwriter must consider the outstanding tax liability using the available assets and reserves to cover the tax liability, regardless of number of payments remaining. If the assets and reserves are not enough to cover the liability, comments should be made to address the underwriter's rationale to proceed when assets/reserves do not cover the outstanding tax liabilities.

Portfolio

When a borrower has entered into an installment agreement with the IRS to repay delinquent federal income taxes, the Underwriter may include the monthly payment amount as part of the borrower's monthly debt obligations (in lieu of requiring payment in full) if:

- No indication that a Notice of Federal Tax Lien has been filed against the borrower in the county in which the subject property is located.
- The lender obtains the following documentation:
 - an approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due; and
 - evidence the borrower is current on the payments associated with the tax installment plan. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date. At least one payment must have been made prior to closing.

The payments on a federal income tax installment agreement can be excluded from the borrower's DTI ratio if the agreement meets the terms in Debts Paid by Others or Installment Debt less than 10 months. If any of the above conditions are not met, the borrower must pay off the outstanding balance due under the installment agreement with the IRS.

The underwriter must consider the outstanding tax liability using the available assets and reserves to cover the tax liability, regardless of number of payments remaining. If the assets and reserves are not enough to cover the liability, comments should be made to address the underwriter's rationale to proceed when assets/reserves do not cover the outstanding tax liabilities.

Guide Updates: 713.9 Agency – Credit/Debt Underwriting, 714.1.5.1 Portfolio – Credit

Appraisal – Evidence of Completion Alternative Methods

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)
X	Conv. (Portfolio)
	FHA
	VA
	Rural Development

Effective Date: Immediately

U.S. Bank is updating our Health and Safety policy to include additional information for evidence of completion alternative documentation requirements.

Form 1004D/442 for Conventional Loans

The Appraisal Update and/or Completion Report (Form 1004D/442) is used to update an appraisal or provide confirmation that the requirements or conditions in an appraisal report have been met (such as completion of construction or repairs). Unless the improvements meet the Work Completion Escrow requirements, Form 1004D/442 must be dated before the Settlement Date.

The appraiser can complete the Completion Report section of Form 1004D/442 based on an on-site visual inspection of the property.

Attestation Letters for Conventional Loans

U.S. Bank will also permit other completion alternative methods - attestation letters - to verify completion of construction, alteration, or repairs in lieu of Form 1004D/442 for Agency Loans only. The letter and all documentation must be retained in the loan file.

For New or Proposed Construction

A borrower/builder attestation letter (e.g., U.S. Bank's Certification of Completion, [Freddie Mac Form 400](#) or other substantially similar form) is permitted to confirm the property was completed and constructed in conformity with the plans and specifications, amendments, and change orders. The borrower/builder attestation letter must include (at a minimum) the following items:

- be dated before the Settlement Date unless the Work Completion Escrow requirements are met,
- borrower name,
- property address or legal description if the address is not available, certification language that the property was constructed in conformity with the plans and specifications including any amendments or changes,
- signatures and dates by the borrower(s) and builder, and
- exterior and interior photos of the property if not already part of the original appraisal report:
 - A front view of the subject property
 - A rear view of the subject property
 - A street scene identifying the location of the subject property and showing neighboring improvements
 - The kitchen of the subject property
 - All bathrooms of the subject property
 - The main living area of the subject property

If a letter signed by both parties is not obtainable, then a Form 1004D/442 completed by the appraiser is required.

Appraisal – Evidence of Completion Alternative Methods, continued

Existing Construction: A borrower attestation letter is permitted to confirm completion of certain alterations or repairs for existing construction. The letter must include (at a minimum) the following:

- dated before the Settlement Date unless Work Completion Escrow requirements are met;
- borrower name;
- property address;
- certification language that the alteration or repair was satisfactorily completed;
- signatures and date by the borrower;
- photographs of the completed work; and
- one of the following
 - signature by the qualified professional,
 - a professionally prepared report, or
 - paid invoices for the alterations or repairs.

Criteria for Agency Loans: Use of Form 1004D/442 and completion alternatives varies depending on the type of valuation method and condition (completion, alteration, inspection, or repair) that must be verified.

Appraisals (Any appraisal report form including Hybrid and Desktop)		
Appraisal "Subject to" Condition	Performer	Documentation Options
New or proposed construction - completion per plans and specifications	Appraiser	Form 1004D/442 with site visit.
	Appraiser	Form 1004D/442 with virtual inspection.
	Borrower and builder	Borrower/builder attestation letter with supporting evidence.
Existing construction - repairs or alterations	Appraiser	Form 1004D/442 with site visit.
	Appraiser	Form 1004D/442 with virtual inspection.
	Borrower	Borrower attestation letter with supporting evidence.
Existing construction - inspections requiring a professionally prepared report	Qualified professional	Professionally prepared inspection report The lender must determine if repairs are required because of the inspection, verification per above requirements.

Notes: For Portfolio loans, there is no policy change to when a Completion Report (Form 1004D/442) is required. For Government loans, please follow FHA, VA and Rural Development Guidelines.

Guide Update: 711.25 FHA – Appraisal Documentation, 712.27 VA – Appraisal Documentation, 713.16 Agency – Appraisal Documentation, 714.1.10 Portfolio – Appraisal Documentation, 715.25 RD – Appraisal Documentation

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.