



Seller Guide Update



SEL-2023-032: Multiple Topics

June 16, 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.



Restricted Stock Units

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)
X	FHA
X	VA
	Rural Development

Effective Date: Immediately

U.S. Bank is making the following changes to our Restricted Stock Units (RSU) policy.

Restricted stock units may be used as income to qualify the borrower if the income has been verified with a 2-year history of receipt and likelihood of continuance from the same employer, based on the vesting/payout schedule. The following documentation is required for use of RSU income:

- Employer must be a publicly traded entity; cannot be a privately held company.
- Must be one of the Fortune 1000 companies.
- Must be a U.S. index (i.e., NASDAQ); Foreign exchanges will be excluded.
- Issuance agreement or equivalent documentation.
- Vesting Schedule of distribution of shares/units.
- 2 years historical IRS Form W-2's from the same employer.
- Evidence payout of RSU with 2 years past year-end pay stubs or WVOE outlining income received from vested shares.
- Current vesting schedule which must outline shares awarded and projected vests for the next 3 years.

Income Calculation

Income will be calculated as follows:

- Calculation of the most recent two years vested historical RSU Income.
- Calculation of the projected RSU (based on shares anticipated to vest in current year multiplied by the stock price at the end of day on the application date.)
- Compare the historic income to the projected income.
 - If there is less than a 10% decline in the income, the historical RSU income will be used to determine the value of continuance.

Examples

Example 1:

2022 historic RSU income per year end paystub: \$270,000

2021 historic RSU income per year end paystub: \$200,000

Average of 2022/2021= $(\$270,000 + \$200,000) / 2 = \$235,000$

2023 share to vest per vesting schedule: 1000

Current stock price on date of the application: \$187/share

Projected income in 2023 based on current stock price = 1000 shares x \$187/share = \$187,000

52-week low stock price: \$175/share

Projected income in 2023 based on 52-week low stock price = 1000 shares x \$175/share = \$175,000

Variance: 20.4% decline when compared to the historic levels

Qualifying amount of RSU income is \$175,000 (based on projected shares (X) 52-week low stock price)

Restricted Stock Units, continued

Example 2:

2022 historic RSU income per year end paystub: \$270,000

2021 historic RSU income per year end paystub: \$200,000

Average of 2022/2021= $(\$270,000 + \$200,000) / 2 = \$235,000$

2023 share to vest per vesting schedule: 1000

Current stock price on date of the application: \$287/share

Projected income in 2023 based on current stock price = 1000 shares x \$287/share = \$287,000

Variance: (+) positive increase when compared to historic levels

Qualifying amount of RSU income is \$235,000 (based on historical average)

Guide Updates: 711.4 FHA – Effective Income, 712.6 VA – Effective Income, 713.7 Agency – Effective Income, 714.2.2.3 Portfolio – Non-Employment Related Borrower Income, 715.4 RD – Effective Income, Income Analysis Worksheet and Manual

FHA Condo Review

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

As a reminder, and as outlined in Section 812.5 (FHA Condominium Review – Condominium Projects Approved on FHA List of Approved Projects) of our Correspondent Seller and HFA Lending Guides:

- Delegated lenders utilizing their own direct endorsement (DE) authority may complete their own Project Review without submitting the project for review to U.S. Bank Project Approval Department.

Guide Reference: Section 812.5 (FHA Condominium Review – Condominium Projects Approved on FHA List of Approved Projects); Best Practices: Condominiums and U.S. Bank Project Approval Department (PAD) (6/23)

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.