



Best Practices



August 2023 – Top Quality Findings

August 4, 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	Assets	<ul style="list-style-type: none"> Insufficient funds to close/reserves. 	<p>When assets are required to be verified, the AUS will indicate the minimum amount necessary for the lender to process the loan application. The lender must determine whether additional funds or documentation is warranted.</p> <ul style="list-style-type: none"> Asset statements should cover the time frame outlined in the AUS findings for Agency and Government loans. Review the AUS findings, product guidelines and credit policies for reserve requirements on all loan types. Ensure proper application of credits on the Closing disclosure and ensure the documented assets exceed the amount required for closing. The funds from the prorated tax credits cannot be used meet the borrower’s minimum investment required for down payment, closing costs and prepaids. Verification of borrower’s own assets is required.
		<ul style="list-style-type: none"> Missing documentation for gift funds. 	<p>All gifts must be documented per the applicable guidelines.</p> <ul style="list-style-type: none"> Provide a gift letter signed by the donor with relationship, address, phone number, amount of gift and certify repayment is not required. Transfer of funds from the donor’s account in a financial institution to the Borrower’s account. For example, copies of bank statements from both the donor and the Borrower’s accounts, a copy of a canceled gift check or a copy of a donor’s withdrawal slip and the Borrower’s deposit slip. Transfer of the funds from the donor’s account in a financial institution to the settlement or closing agent. For example, a copy of a cashier’s check or wire transfer confirmation showing the donor at the remitter and the donor’s bank statement evidencing sufficient funds the Gift fund amount, if applicable with receipt on Closing Disclosure. 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"> Earnest Money Deposit (EMD) not documented appropriately. 	<p>When an EMD for a purchase transaction is used to qualify the borrower for the mortgage transaction, the file must evidence:</p> <ul style="list-style-type: none"> Verify that the source of the EMD is an eligible asset type and documented following standard doc. requirements. Provide 2-months account statements or direct verification (VOD) that covers the period up to and including the date the EMD funds cleared the account.
		<ul style="list-style-type: none"> Source of Large deposits unaddressed. 	<p>If large deposit funds are needed to complete the purchase transaction, document funds are from an acceptable source.</p> <ul style="list-style-type: none"> Proof of ownership and reasonable value for a sold asset. Proof of liquidation of retirement funds. Terms of loan for secured borrowed funds with supporting asset statement(s). Provide a written explanation and rationale for use of funds.



**Top
Quality
Findings,
continued**

Continued from previous page.

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2	Income and Employment	<ul style="list-style-type: none"> Income miscalculation. 	<p>The analysis, verification, calculation, and determination of the stable monthly income amount is integral to the overall qualification of the borrower(s).</p> <ul style="list-style-type: none"> Include income calculation worksheets and provide written explanation of qualifying income. Other sources of income including 2nd job, overtime, bonuses, commissions, and tips should have a two-year history and documentation to support likelihood of continuance.
		<ul style="list-style-type: none"> Missing employment documentation. 	<p>Documentation must support the history of receipt, if applicable, and the amount, frequency, and duration of the income.</p> <ul style="list-style-type: none"> Review the AUS feedback certificate for required documentation and include W-2's, Paystubs, Tax Returns, Profit and Loss Statements, Written / Verbal VOE's in the closed loan file. Document all sources of income being used to qualify. Verification can be provided by the borrower, the borrower's employer, or a third-party employment verification vendor. Provide award letters, proof of receipt and continuance for retirement and pension income. Review asset statements for other employment income such as Grub Hub or Instacart.
		<ul style="list-style-type: none"> Missing documentation of the receipt of alimony and/or child support. 	<p>The lender may include alimony, child support, or separate maintenance as income only if the borrower discloses it on the Form 1003 and requests that it be considered in qualifying for the loan.</p> <ul style="list-style-type: none"> Ensure Alimony and Child support income are documented per the applicable guidelines including proof of receipt and probability of continuance.
3	Sales Contract	<ul style="list-style-type: none"> Missing fully executed sales contract with all addendums. 	<p>For purchase mortgages, a copy of the fully executed sales contract and all addenda must be included in the mortgage file.</p> <ul style="list-style-type: none"> Ensure all attachments referenced in the Sales Contract are included in the closed loan file including Amendments, Addendums, Disclosures, Contingency Agreements & Exhibits. Review the contract and attachments for initials or signatures and date as applicable. FHA Amendatory Clause signed by the borrower and seller if it is not contained in the purchase agreement. VA Escape Clause must be signed by the Veteran buyer and the seller on all VA-guaranteed purchase transactions.
4	HUD 92900-A	<ul style="list-style-type: none"> The HUD 92900-A was not completed accurately. 	<p>Please refer to the attached Job Aid for completion of the new HUD 92900-A.</p> <ul style="list-style-type: none"> The attached Job Aid has been updated on completing page 3, Part IV-Direct Endorsement Approval for a HUD FHA-Insured Mortgage. Pages 1-2 must be signed and dated by borrower(s) prior to the Underwriting Approval.

**Top
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5	Credit	<ul style="list-style-type: none"> Missing documentation to support the calculation of monthly debts. 	<p>This review process is required along with the review of the credit report and following up on inquiries to verify all material debts are included for qualifying.</p> <ul style="list-style-type: none"> All documentation in the file (such as paystubs, asset statements, divorce decrees, etc.) from the most recent two months only should be reviewed to determine if there is undisclosed debt. If undisclosed debt is found, it must be determined if it is a material payment and therefore be considered in qualifying. All Student loan payments must be included in the qualifying ratios even if the credit report or account statements reflect the loan is deferred or in forbearance. Refer to the student loan debt calculation table in the U.S. Bank Correspondent Seller and HFA Lending Guides for guidance. Tax liabilities should be addressed per the applicable guidelines and may be required to be included as a liability or affect the required assets and reserves.
6	Automated Underwriting System (AUS)	<ul style="list-style-type: none"> Data submitted to the AUS is not supported. 	<p>The Lender is responsible for the integrity of the data elements entered into the AUS to ensure the valid outcome of the mortgage credit risk evaluation performed.</p> <ul style="list-style-type: none"> Review the final AUS findings to ensure the loan package includes the documentation outlined in the feedback certificate. In addition to evaluating the credit, income, and assets the AUS findings will provide documentation requirements to support the borrower's legal residency in the United States and confirm the SSN is accurate.

**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.