



# 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"> <li>Insufficient funds to close/reserves.</li> </ul>	<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"> <li>Asset statements should cover the time frame outlined in the AUS findings for Agency and Government loans.</li> <li>Review the AUS findings, product guidelines and credit policies for reserve requirements on all loan types.</li> <li>Ensure proper application of credits on the Closing disclosure and ensure the documented assets exceed the amount required for closing.</li> <li>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.</li> </ul>
		<ul style="list-style-type: none"> <li>Missing documentation for gift funds.</li> </ul>	<p>All gifts must be documented per the applicable guidelines.</p> <ul style="list-style-type: none"> <li>Provide a gift letter signed by the donor with relationship, address, phone number, amount of gift and certify repayment is not required.</li> <li>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.</li> <li>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.</li> <li>Gift funds should be reflected on the Automated Underwriting System (DU/LPA/GUS) and documented per the feedback messages.</li> </ul>
		<ul style="list-style-type: none"> <li>Earnest Money Deposit (EMD) not documented appropriately.</li> </ul>	<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"> <li>Verify that the source of the EMD is an eligible asset type and documented following standard doc. requirements.</li> <li>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.</li> </ul>
		<ul style="list-style-type: none"> <li>Source of Large deposits unaddressed.</li> </ul>	<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"> <li>Proof of ownership and reasonable value for a sold asset.</li> <li>Proof of liquidation of retirement funds.</li> <li>Terms of loan for secured borrowed funds with supporting asset statement(s).</li> <li>Provide a written explanation and rationale for use of funds.</li> </ul>



**Top  
Quality  
Findings,  
continued**

Continued from previous page.

Rank	Document/ Finding	Common Errors	Best Practice
2	Income and Employment	<ul style="list-style-type: none"> <li>Income miscalculation.</li> </ul>	<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"> <li>Include income calculation worksheets and provide written explanation of qualifying income.</li> <li>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.</li> </ul>
		<ul style="list-style-type: none"> <li>Missing employment documentation.</li> </ul>	<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"> <li>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.</li> <li>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.</li> <li>Provide award letters, proof of receipt and continuance for retirement and pension income.</li> <li>Review asset statements for other employment income such as Grub Hub or Instacart.</li> </ul>
		<ul style="list-style-type: none"> <li>Missing documentation of the receipt of alimony and/or child support.</li> </ul>	<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"> <li>Ensure Alimony and Child support income are documented per the applicable guidelines including proof of receipt and probability of continuance.</li> </ul>
3	Sales Contract	<ul style="list-style-type: none"> <li>Missing fully executed sales contract with all addendums.</li> </ul>	<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"> <li>Ensure all attachments referenced in the Sales Contract are included in the closed loan file including Amendments, Addendums, Disclosures, Contingency Agreements &amp; Exhibits.</li> <li>Review the contract and attachments for initials or signatures and date as applicable.</li> <li>FHA Amendatory Clause signed by the borrower and seller if it is not contained in the purchase agreement.</li> <li>VA Escape Clause must be signed by the Veteran buyer and the seller on all VA-guaranteed purchase transactions.</li> </ul>
4	HUD 92900-A	<ul style="list-style-type: none"> <li>The HUD 92900-A was not completed accurately.</li> </ul>	<p>Please refer to the attached <b>Job Aid</b> for completion of the new HUD 92900-A.</p> <ul style="list-style-type: none"> <li>The attached <b>Job Aid</b> has been updated on completing page 3, Part IV-Direct Endorsement Approval for a HUD FHA-Insured Mortgage.</li> <li>Pages 1-2 must be signed and dated by borrower(s) prior to the Underwriting Approval.</li> </ul>

**Top  
Quality  
Findings,  
continued**

Continued from previous page.

Rank	Document/ Finding	Common Errors	Best Practice
5	Credit	<ul style="list-style-type: none"> <li>Missing documentation to support the calculation of monthly debts.</li> </ul>	<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"> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
6	Automated Underwriting System (AUS)	<ul style="list-style-type: none"> <li>Data submitted to the AUS is not supported.</li> </ul>	<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"> <li>Review the final AUS findings to ensure the loan package includes the documentation outlined in the feedback certificate.</li> <li>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.</li> </ul>

**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.

The HUD Form 92900-A, Addendum to Uniform Residential Loan Application is a FHA requirement and must contain signatures from the underwriter, "other lender representatives", and the loan applicant(s).

**Pages 1 & 2 must be signed by the Borrower(s) prior to Underwriting per FHA requirements. Failure to provide properly executed document will result in un-insurability with FHA and non-purchase by U.S. Bank**

## HUD Addendum to Uniform Residential Loan Application

OMB Approval No. HUD: 2502-0059 (exp. 12/31/2023)

<b>Part I - Identifying Information</b> HUD/FHA Application for Insurance under the National Housing Act and Borrower Certification	<b>FHA Case No.</b> (include any suffix) 10 digit Case Number and 3 digit ADP Code - must match FHA Connection Case Number Assignment	<b>Mortgagee Case No.</b> 3rd Party Lenders Loan Number
<b>Mortgage ID</b> Third Party Lenders ID Number, this can be found on the FHA Connection Case Number Assignment	<b>Sponsor ID</b> U.S. Bank Home Mortgage ID	<b>Agent ID</b>
<b>Mortgage Name, Address (include ZIP Code) and Telephone Number</b> Third Party Lenders Name, Address and Phone Number  <small>Type or print all entries clearly</small>	<b>Name and Address of Sponsor</b> U.S. Bank Home Mortgage Name and Address	<b>Name and Address of Agent</b>
<b>Borrower's Name &amp; Present Address</b> (include ZIP Code) Ensure the name matches FHA Connection and the borrowers current address on the URLA	<b>Property Address</b> (include name of subdivision, lot & block no., & ZIP Code) Ensure the subject property address matches FHA connection including Zip Code. Capture the Subdivision, Lot and Block for the subject property.	
<b>Sponsored Originations</b>	<b>Name of Third-Party Originator</b> Third Party Lenders MLO name	<b>NMLS ID of Third-Party Originator</b> Third Party Lenders MLO

### Part II - Borrower Consent for Social Security Administration to Verify Social Security Number

I authorize the Social Security Administration (SSA) to verify my Social Security Number (SSN) to the Mortgagee and HUD/FHA. I authorize SSA to provide explanatory information to HUD/FHA in the event of a discrepancy. This consent is valid for 180 days from the date signed, unless indicated otherwise by the individual(s) named in this loan application.

**Signature(s) of Borrower(s)** - Read consent carefully. Review accuracy of Social Security Number(s) provided on this application.

Ensure the borrower information matches FHA Connection and the URLA

Borrower's Name: \_\_\_\_\_  
 Date of Birth: \_\_\_\_\_  
 Social Security Number: \_\_\_\_\_

Co-Borrower's Name: \_\_\_\_\_  
 Date of Birth: \_\_\_\_\_  
 Social Security Number: \_\_\_\_\_

Signature(s) of Borrower(s) SIGN HERE Date Signed \_\_\_\_\_

Signature(s) of Co-Borrower(s) SIGN HERE Date Signed \_\_\_\_\_

**Borrower's signature and date must be prior to Underwriters review. See Underwriter's certification in Part IV - Section A on page 3.**

### Part III - Borrower Notices, Information, and Acknowledgment

#### Public Reporting Burden

Public reporting burden for this collection of information is estimated to average 10 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number, which can be located on the OMB Internet page at <http://www.reginfo.gov/public/do/PRAMain>.

#### Privacy Act Information

The information requested on the Uniform Residential Loan Application and this Addendum is authorized by the National Housing Act of 1934, 12 U.S.C. § 1701, et seq. The Debt Collection Act of 1982, Pub. L. 97-365, and HUD's Housing and Community Development Act of 1987, 42 U.S.C. § 3543, require persons applying for a federally insured loan to furnish their SSN. You must provide all the requested information, including your SSN. HUD may conduct a computer match to verify the information you provide. HUD may disclose certain information to Federal, State and local agencies when relevant to civil, criminal, or regulatory investigations and prosecutions. It will not otherwise be disclosed or released outside of HUD except as required and permitted by law. The information will be used to determine whether you qualify as a mortgagor. Failure to provide any of the requested information, including SSN, may result in disapproval of your loan application. This is notice to you as required by the Right to Financial Privacy Act of 1978 that HUD/FHA has a right of access to financial records held by financial institutions in connection with the consideration or administration of assistance to you. Financial records involving your transaction will be available to HUD/FHA without further notice or authorization but will not be disclosed or released by the institution to another Government Agency or Department without your consent except as required or permitted by law.

**WARNING: This warning applies to all certifications made in this document.**

Anyone who knowingly submits a false claim, or makes false statements is subject to criminal and civil penalties, including confinement for up to 5 years, fines, and civil penalties. 18 U.S.C. §§ 287, 1001 and 31 U.S.C. § 3729

Borrowers name as it appears  
in FHA Connection

Borrower Name: \_\_\_\_\_

10 digit case number  
assigned in FHA Connection

FHA Case No.: \_\_\_\_\_

**Caution: Delinquencies, Defaults, Foreclosures and Abuses**

Delinquencies, defaults, foreclosures and abuses of mortgage loans involving programs of the Federal Government can be costly and detrimental to your credit, now and in the future. The Mortgagee in this transaction, its agents and assigns, as well as the Federal Government, its agencies, agents and assigns are authorized to take any and all of the following actions in the event loan payments become delinquent on the mortgage loan described in the attached application: (1) Report your name and account information to a credit bureau; (2) Assess additional interest and penalty charges for the period of time that payment is not made; (3) Assess charges to cover additional administrative costs incurred by the Federal Government to service your account; (4) Offset amounts owed to you under other Federal programs; (5) Refer your account to a private attorney, collection agency or mortgage servicing agency to collect the amount due, foreclose the mortgage, sell the property, and seek judgment against you for any deficiency; (6) Refer your account to the Department of Justice (DOJ) for litigation in the courts; (7) If you are a current or retired Federal employee, take action to offset your salary, or civil service retirement benefits; (8) Refer your debt to the Internal Revenue Service for offset against any amount owed to you as an income tax refund; and (9) Report any resulting written off debt of yours to the Internal Revenue Service as your taxable income. All of these actions may be used to recover any debts owed when it is determined to be in the interest of the Mortgagee or Federal Government, or both.

As a mortgage loan borrower, you will be legally obligated to make the mortgage payments called for by your mortgage loan contract. The fact that you dispose of your property after the loan has been made will not relieve you of liability for making these payments. Payment of the loan in full is ordinarily the way liability on a mortgage note is ended. Some home buyers have the mistaken impression that if they sell their homes when they move to another locality, or dispose of it for any other reasons, they are no longer liable for the mortgage payments and that liability for these payments is solely that of the new owners. Even though the new owners may agree in writing to assume liability for your mortgage payments, this assumption agreement will not relieve you from liability to the holder of the note which you signed when you obtained the loan to buy the property. Unless you are able to sell the property to a buyer who is acceptable to HUD/FHA who will assume the payment of your obligation to the lender, you will not be relieved from liability to repay any claim which HUD/FHA may be required to pay your lender on account of default in your loan payments. The amount of any such claim payment may be a debt owed by you to the Federal Government and subject to established collection procedures.


**Fair Housing Act**


I and anyone acting on my behalf are, and will remain, in compliance with the Fair Housing Act, 42 U.S.C. § 3604, et seq., with respect to the dwelling or property covered by the loan and in the provision of services or facilities in connection therewith. I recognize that any restrictive covenant on this property related to race, color, religion, sex, disability, familial status, or national origin is unlawful under the Fair Housing Act and unenforceable. I further recognize that in addition to administrative action by HUD, a civil action may be brought by the DOJ in any appropriate U.S. court against any person responsible for a violation of the applicable law.

**Certification and Acknowledgment**

All information in this application is given for the purpose of obtaining a loan to be insured under the National Housing Act and the information in the Uniform Residential Loan Application and this Addendum is true and complete to the best of my knowledge and belief. Verification may be obtained from any source named herein. I have read and understand the foregoing concerning my liability on the loan and Part III, Borrower Notices, Information, and Acknowledgment.

**Signature(s) of Borrower(s)** - Do not sign unless this application is fully completed. Read the certification carefully and review accuracy of this application.

Signature(s) of Borrower(s)  Date Signed

Signature(s) of Co-Borrower(s)  Date Signed

**Borrower's signature and date must be prior to the DE Underwriters review and approval in Part IV - Section A on page 3.**

**Pages 1 & 2 must be signed by the Borrower(s) prior to Underwriting per FHA requirements  
Failure to provide properly executed document will result in un-insurability  
with FHA and non-purchase by U.S. Bank**



**Page 3 Part IV A must be signed by the Underwriter or Mortgagee Representative for Accept or Approve loans via TOTAL Scorecard**  
**Part IV B must be signed by the DE Underwriter that underwrote the appraisal and issued the FHA Conditional Commitment 92800.5b**  
**Failure to provide properly executed document will result in un-insurability with FHA and non-purchase by U.S. Bank**

Borrower Name: Borrowers name as it appears in FHA Connection

FHA Case No.: 10 digit case number assigned in FHA Connection

**Part IV - Direct Endorsement Approval for a HUD FHA-Insured Mortgage**

**A. Underwriting the Borrower**

The greater of 90 days from the approval date OR the Action Date on the Conditional Commitment.

Date Mortgage Approved: Final Approval Date

Date Approval Expires: on the Conditional Commitment.

For mortgages rated as an "accept" or "approve" by FHA's TOTAL Mortgage Scorecard:

- The information submitted to TOTAL was documented in accordance with Single Family Housing Policy Handbook 4000.1 (SF Handbook) and accurately represents the final information obtained by the mortgagee; and
- This mortgage complies with SF Handbook 4000.1 Section II.A.4.e Final Underwriting Decision (TOTAL) to the extent that no defect exists in connection with the underwriting of this mortgage such that it should not have been approved in accordance with FHA requirements.

I certify that the statements above are materially correct, with the understanding that, in the event HUD elects to pursue a claim arising out of or relating to any inaccuracy of this certification, HUD will interpret the severity of such inaccuracy in a manner that is consistent with the HUD Defect Taxonomy in effect as of the date this mortgage is endorsed for insurance.

Mortgagee Representative Signature: Signature of Underwriter or Mortgagee Representative



Printed Name: Name of Underwriter or Mortgagee Representative

Title: Title of Underwriter or Mortgagee Representative

Title: \_\_\_\_\_

----- **OR** -----

For mortgages rated as a "refer" by FHA's TOTAL Mortgage Scorecard, or manually underwritten by a Direct Endorsement underwriter:

- I have personally reviewed and underwritten the borrower's credit application;
- The information used to underwrite the borrower was documented in accordance with Single Family Housing Policy Handbook 4000.1 (SF Handbook) and accurately represents the final information obtained by the mortgagee; and
- This mortgage complies with SF Handbook 4000.1 Section II.A.5.d Final Underwriting Decision (Manual) to the extent that no defect exists in connection with the underwriting of this mortgage such that it should not have been approved in accordance with FHA requirements.

I certify that the statements above are materially correct, with the understanding that in the event HUD elects to pursue a claim arising out of or relating to any inaccuracy of this certification, HUD will interpret the severity of such inaccuracy in a manner that is consistent with the HUD Defect Taxonomy in effect as of the date this mortgage is endorsed for insurance.



Direct Endorsement Underwriter Signature: \_\_\_\_\_ DE's ID Number: \_\_\_\_\_

Only required for REFER or Manually Underwritten loans.

**B. Underwriting the Property**

For all mortgages where FHA requires an appraisal, I have personally reviewed and underwritten the appraisal according to FHA requirements. I certify that the statements above are materially correct, with the understanding that in the event HUD elects to pursue a claim arising out of or relating to any inaccuracy of this certification, HUD will interpret the severity of such inaccuracy in a manner that is consistent with the HUD Defect Taxonomy in effect as of the date this mortgage is endorsed for insurance.



Direct Endorsement Underwriter Signature: \_\_\_\_\_ DE's ID Number: \_\_\_\_\_

Must match the signer on the Conditional Commitment 92800.5b for the appraisal

Borrowers name as it appears  
Borrower Name: in FHA Connection

10 digit case number  
FHA Case No.: assigned in FHA Connection

### Part V. Mortgagee's Certification

- I have personally reviewed the mortgage documents and the application for insurance endorsement; and
- This mortgage complies with SF Handbook 4000.1 Section II.A.7 Post-Closing and Endorsement to the extent that no defect exists that would have changed the decision to endorse or submit the mortgage for insurance.

I certify that the statements above are materially correct, with the understanding that in the event HUD elects to pursue a claim arising out of or relating to any inaccuracy of this certification, HUD will interpret the severity of such inaccuracy in a manner that is consistent with the HUD Defect Taxonomy in effect as of the date this mortgage is endorsed for insurance.

Mortgagee  <b>Third Party Lender must complete this section Post Closing.</b>	
Name of Mortgagee's Representative	
Title of Mortgagee's Representative	
Signature of the Mortgagee's Representative  <b>Signature of Third Party Lender is required</b>	Date  <b>Date must be AFTER Loan Closing</b>



**Page 4 must be signed by the Third Party Lender Representative(s) at or post closing  
Failure to provide properly executed document will result in un-insurability  
with FHA and non-purchase by U.S. Bank**

Updated 07/19/2023