



# Seller Guide Update



SEL-2023-048: Multiple Topics

August 25, 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.



## Sweat Equity

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

**Effective Date:** Effective with locks/relocks on and after August 31, 2023.

Sweat equity will be permitted as an acceptable source of funds for HomeReady and Home Possible loans when all eligibility requirements are met.

Sweat equity is credit for labor performed on the Mortgaged Premises and/or materials furnished for the Mortgaged Premises by the Borrower. Any labor performed must be completed in a skillful and workmanlike manner to support the appraised value. Sweat equity can also be used in combination with an Affordable Second.

Sweat equity can only be applied towards the down payment, and the borrower must comply with the requirements.

### Requirements

- Borrower must have a minimum of \$1,000 personal funds into the transaction to be used towards down payment, closing costs, prepaids and/or reserves.
- All repairs and improvements to be completed by the Borrower are listed in the sales contract and included in the appraisal report.
- Repairs or improvements that are reflected on the appraisal report must be outstanding at the time of the appraisal. Credit for work completed prior to the original property inspection by the appraiser is not eligible for sweat equity.
- The Borrower must not receive cash back at closing. All excess funds must result in a reduction of the principal balance on the Mortgage.

### Max LTVs / Max Sweat Equity Contributions

Property Type	Fannie Mae HomeReady		Freddie Mac Home Possible	
	Max LTV	Max Sweat Equity	Max LTV	Max Sweat Equity
Primary 1-Unit	95%	None	95-97% <sup>1</sup>	None
Primary 2-Unit	85%	2% of the lesser of the purchase price or appraised value	95%	3%
Primary 3-4 Unity	75%		85%	

<sup>1</sup> Subject to credit requirements outlined in the product guidelines.

### Provider Requirements

U.S. Bank considers sweat equity an acceptable source of funds only when the borrower participates in an affordable housing purchase program run by an eligible provider.

Sweat equity program providers must be a nonprofit organization exempt from taxation under Section 501(c)(3) of the IRS code with a demonstrated history of affordable housing construction and experience in managing volunteers.

## Sweat Equity, continued

### Determine the Value of Sweat Equity

Step	Determining the Value of Sweat Equity
1	<p>The hours of work to be performed and the hourly rate established by the sweat equity program provider must be fully documented in an agreement between the borrower and the provider.</p> <p>The hourly rate will be determined by the sweat equity program.</p>
2	<p>The hours of work performed each day must be recorded in a log managed by the sweat equity program provider.</p> <p>The log must include all the following:</p> <ul style="list-style-type: none"><li>• program name,</li><li>• borrower name,</li><li>• work date(s),</li><li>• time in/out,</li><li>• number of hours,</li><li>• volunteer worker name,</li><li>• work location and activity, and</li><li>• supervisory approval.</li></ul> <p>Note: The hours of work performed must be completed before the loan is closed.</p>
3	<p>The contributory value of the sweat equity is calculated by multiplying the total number of hours of work performed by the hourly rate.</p> <p>Example:</p> <p>500 hours worked x \$20 per hour = \$10,000</p>
4	<p>The lender must review the agreement and log from the sweat equity program provider to validate the contributory value of the sweat equity applied towards the down payment.</p> <p>All documentation must be retained in the loan file.</p>

#### Documentation Required

- Sweat Equity Agreement
- Time Log
- Appraisal Update and/or Completion Report (Form 442/1004D) – Alternative Documentation now allowed.

**Guide Update:** The following items will be updated on the effective date: Applicable product guidelines; 713.8 Agency – Funds for Closing, Correspondent Overlay Matrices.

## Fannie Mae Title Seasoning on Limited Cash-Out Refinance

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

## Reminder: Supplemental Consumer Information Form (Form 1103) for FHA Loans

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

## End of Cycle Coming Soon - Government ARM Change Dates

## Questions

**Effective Date:** With Loan applications on and after September 1, 2023.

As announced in [SEL-2023-06](#), Fannie Mae has implemented title requirements for a Limited Cash-Out refinance transactions.

### Title Requirements for Limited Cash-Out Refinances

Fannie Mae revised the eligibility requirements for limited cash-out refinances to stipulate that at least one borrower on the new loan must be a current owner of the subject property (on title) at the time of the initial loan application. The only variances to this policy are listed below:

- the borrower acquired the property through an inheritance or was legally awarded the property via a legal settlement or divorce decree, or
- the property was previously owned by an inter vivos revocable trust and the borrower is the primary beneficiary of the trust.

**Effective Date:** The new Supplemental Consumer Information Form (Form 1103) must be present in all [FHA loans](#) delivered to U.S. Bank with application dates on/after August 28, 2023.

As was originally published in [SEL-2023-041](#), the Federal Housing Administration (FHA) published [Mortgagee Letter \(ML\) 2023-13 on June 27<sup>th</sup>](#), announcing the requirement for the *Supplemental Consumer Information Form*. The Supplemental Consumer Information Form (SCIF) contains information about the borrower's language preference, if any, and any homeownership education and housing counseling the borrower may have received. This ML requires mortgagees to provide prospective forward mortgage borrowers with the SCIF at the time of application, and to submit this information to FHA as part of the lender's required loan application data submissions. **Borrowers may elect to provide their lenders with no information, some information or all the information requested in the SCIF. FHA loans delivered for purchase should include at least one SCIF form with at minimum one borrower name and loan number present on the form. A blank form is acceptable as long as it has the borrower name and loan number.**

**SEL-2023-009: SCIF (Form 1103) For Conventional Agency Loans:** As a reminder and as published in SEL-2023-009 on February 10, 2023, this requirement further compliments the requirement for Form 1103 to be present in all Conventional Agency loans delivered to U.S. Bank with application dates on or after March 1, 2023 of this year.

**FHA Resources:** Please refer to the FHA ML Letter for complete details: [Mortgagee Letter \(ML\) 2023-13](#)

As a reminder, we are quickly approaching the end of a cycle to accept specific change dates for FHA/VA ARM loans as follows:

- Last Day to Purchase** – August 19, 2023, was the last day to purchase FHA/VA ARM loans with an July 1, 2028 change date.
- Loans Purchased and Change Date Requirements** - Loans purchased after August 19, 2023 must have a January 1, 2029, change date.

This applies to all loans that are scheduled to be delivered or have been delivered.

**Guide Update:** 1300: ARM Documents > Disclosures > [FHA/VA ARM Change Dates](#)



**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.