



Seller Guide Update



SEL-2023-054: Multiple Topics

September 15, 2023

- Correspondent Lending
- Housing Finance Agency (HFA)

Table of Contents **The following topics are included in this update:**

Agency Underwriting Changes.....	2
FHA Mortgage Credit Reject.....	3
Coming Soon: Original Note (Note Vault) Address Change	3
Questions	3

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.



Agency Underwriting Changes

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)
	Conv. (Fannie)
	Conv. (Portfolio)
	FHA
	VA
	Rural Development

Effective Date: Effective with new locks and/or relocks and new loan reservations on or after September 18, 2023.

U.S. Bank is announcing the recent updates to Agency Guidelines impacting the following:

- Requirements for installment agreements with the Internal Revenue Service (IRS) that are pending IRS approval
- Revised documentation requirements for income from alimony, child support and separate maintenance

Applications for Internal Revenue Service (IRS) installment agreements

Freddie Mac is updating the Guide to address applications for installment agreements with the Internal Revenue Service (IRS) that are pending IRS approval. When a Borrower has applied for such an agreement and is pending IRS approval, the following requirements must be met:

- The application for the installment agreement reflecting the amount of taxes owed and requested payment terms must be documented in the Mortgage file,
- The greater of the monthly payment amount requested by the Borrower or the amount of taxes owed divided by 72 must be included in the Borrower's debt payment-to-income ratio, and
- There must be no indication, and U.S. Bank must have no knowledge, that the IRS has filed a Notice of Federal Tax Lien for the taxes owed by the Borrower.

Alimony, child support and separate maintenance income documentation

To provide greater specificity to our documentation requirements for income from alimony, child support and separate maintenance, Freddie Mac is making the following updates:

- Specifying that the payor's obligation must be verified with legally binding documentation, which may include a signed court order, final divorce decree, legally binding separation agreement, legally binding child support agreement or other legally binding documentation, and
- Requiring documentation to evidence the Borrower's receipt of the income payment(s) as follows:
 - Evidence the payment(s) was cashed or deposited into the Borrower's depository account at a financial institution, or
 - Evidence that the payment(s) was transferred into a third-party money transfer application account that is owned by the Borrower, or
 - A statement from a government agency (i.e., child support agency) reflecting the Borrower's name as the recipient and the amounts paid

Refer to [5305.2: Specific requirements for other income types > Alimony, child support or separate maintenance payments](#) for policy requirements.

Guide Updates: 713.9 Agency – Credit/Debt Underwriting, 713.7 Agency – Effective Income

FHA Mortgage Credit Reject

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

Effective Date: Loans underwritten or pending endorsement on or after September 11, 2023.

FHA announced it will no longer require entry of the Mortgage Credit Reject (MCR) in FHA Connection (FHAC) for rejected or denied loans.

Mortgage Credit Reject

Previous FHA policy required the MCR to be completed in FHAC when the loan was denied which would generate case warning flags that followed the borrower and the Case Number for six months. The reason for denial may be related to Mortgagee credit overlays or property issues which do not impact the borrower's eligibility for an FHA-insured loan but may deter other Mortgagees from considering the borrower's application. If the case is transferred, and the new Mortgagee approves the loan, the new Mortgagee must provide justification for endorsement. Once the loan was closed, lenders were required to send the Case Binder to FHA for further review.

By removing this requirement, FHA will no longer require lenders to enter rejection information in FHAC, streamlining the loan underwriting process and removing an unnecessary barrier for borrowers who wish to obtain FHA-insured financing.

Any loans pending endorsement on or after the effective date will have any MCR case warning flags remove. The MCR screen will be removed from FHAC September 11, 2023.

Coming Soon: Original Note (Note Vault) Address Change

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
X	Rural Development

Effective Date: Original Notes delivered on and after October 1, 2023.

As a reminder, and as published in **SEL-2023-052**, U.S. Bank will soon update the address for all original Notes delivered to U.S. Bank for both Correspondent and HFA as shown in **green** below:

New Address	Current Address (Will no longer be active beginning September 30, 2023)
U.S. Bank Attention: Note Vault 6th Floor 9380 Excelsior Blvd. Hopkins, MN 55343	U.S. Bank Attention: Note Vault 5th Floor 9380 Excelsior Blvd. Hopkins, MN 55343

Warehouse Banks: If your Notes are delivered directly to us from your Warehouse Bank, please instruct your Warehouse Bank:

- To update the address as shown above for Notes delivered to U.S. Bank.
- Attach the Note to a cover sheet, which reflects the U.S. Bank loan number, borrower's name, and the property address. In addition, the Note should be accompanied with the Bailee Letter.

Guide Updates: Upon the effective date, we will update the applicable sections of the Correspondent Seller and HFA Lending Guides.

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.