



Best Practices



August 2023 – HFA Common Deficiencies

August 28, 2023

☑ Housing Finance Agency (HFA)

Common Deficiencies

Following loan receipt, all files are audited, and all deficiencies are logged in AIQ/Doc Velocity, as applicable. Loan deficiencies are any outstanding issues preventing the loan from funding. The following items are the most common deficiencies submitted to U.S. Bank for purchase.

Finding	Common Error	Best Practice
AMI (Area Median Income) Calculation	<ul style="list-style-type: none"> AMI is often not calculated using the GSE income limits. 	<ul style="list-style-type: none"> Ensure AMI Messages on the AUS are being followed and that the appropriate amount of MI Coverage is obtained. Do not use HFA income limits to calculate, they often differ from the Fannie and Freddie Income limits. If AMI percentage exceeds 80%, be sure to utilize standard MI coverage.
Mortgage Insurance (MI) Payment	<ul style="list-style-type: none"> MI payment missing from current pay history. 	<ul style="list-style-type: none"> Check current pay history to confirm that the MI payment is listed, and the escrow account ending balance is calculated correctly.
Down Payment Assistance (DPA)	<ul style="list-style-type: none"> DPA Letter is not included in the file upload to U.S. Bank. DPA Letter has incorrect amount of DPA (and/or does not match the amount of DPA on the Final Closing Disclosure (CD). DPA Letter is missing borrower signature. 	<ul style="list-style-type: none"> Ensure DPA Letter is included in initial file upload to U.S. Bank. Review the DPA Letter to ensure the DPA amount is the same across all documents (Note, CD, AUS). If the DPA Letter is not required, the amount on the Note should match other documents. Ensure borrower signature is included on DPA Letter (if applicable). Final CD (or Post-Close CD, if applicable) should include the full principal balance for the Second Mortgage/DPA on page 3 (or on the addendum). If it must be separated to reflect any payment, the full amount must be included in parentheses.
Second Note	<ul style="list-style-type: none"> Closing Date is incorrect on Second Note. 	<ul style="list-style-type: none"> Review Second Note date to ensure it is either the same as, or prior to, the closing date (disbursement date in escrow states).
Commonly missing documents	<ul style="list-style-type: none"> Settlement Certification. Federal disclosures for Second mortgage (LE and CD <u>OR</u> Good Faith Estimate and Settlement Statement, depending on program). 	<ul style="list-style-type: none"> Review the closing submission checklist in the Lending Guide as shown below to ensure that all required docs are being included in file submission.

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 **HFA Lending Guide** (1100: Exhibits, Forms, & Checklists):

- [Conventional Loan Delivery Checklist](#)
- [Government Loan Delivery Checklist](#)

Send complete loan packages, including all credit/underwriting documents, to avoid pre-funding and post-funding deficiencies and quality findings. Lenders may not receive notice of deficiencies for all items included on the checklist, however, we require the credit package along with the full closed loan package.

Questions



HFA: Please contact the Housing Finance Agency Hotline at 800.562.5165, option 1 for the HFA Customer Care Team.

