



Seller Guide Update



SEL-2023-049: HFA Preferred™/HFA Advantage© and Sweat Equity September 1, 2023

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

Effective Date: Effective with reservations on and after September 5, 2023.

Sweat equity will be permitted as an acceptable source of funds for HFA Preferred™/HFA Advantage© 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 HFA Preferred™		Freddie Mac HFA Advantage©	
	Max LTV	Max Sweat Equity	Max LTV	Max Sweat Equity
Primary 1-Unit	95%	None	95-97% ¹	None
Primary 2-Unit	85%	2% of the lesser of the purchase price or appraised value	95%	3%
Primary 3-4 Unit	75%		85%	

¹ 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"> • program name, • borrower name, • work date(s), • time in/out, • number of hours, • volunteer worker name, • work location and activity, and • supervisory approval. <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, HFA Overlay Matrices.

Questions



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