



Seller Guide Update



SEL-2023-057: Multiple Topics

September 29, 2023

- Correspondent Lending
- Housing Finance Agency (HFA)

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

Agency Underwriting Changes.....	2
Compliance Updates	4
Coming Soon: Original Note (Note Vault) Address Change	4
Questions	4

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

Effective Date: Immediately

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

- Student loan payment amounts included in debt payment-to-income (DTI) ratio
- Refinance Mortgages
- Personal gifts and gifts of equity
- 3D printed homes
- Trust income

Student Loan Debt Payments

Freddie Mac has updated their guidelines to specify that in all cases, an amount greater than zero must be included in the monthly debt payment-to-income ratio for all student loans, as described below.

For student loans in deferment, forbearance or repayment, including income-driven repayment plans:

- If the monthly payment amount reported on the credit report is greater than zero, the Seller must use the monthly payment amount reported on the credit report, unless other documentation in the Mortgage file supports a different current payment amount, or
- If the monthly payment amount reported on the credit report is zero, the Seller must use 0.5% of the outstanding loan balance, as reported on the credit report unless other documentation in the Mortgage file supports a different current payment amount.

For student loans in income-driven repayment plans:

- Monthly payment amount may be used for qualifying, unless documentation in the Mortgage file indicates the Borrower must recertify their income and/or the Borrower's payment will increase prior to or on the first Mortgage payment due date.
- When documentation in the Mortgage file indicates the Borrower must recertify their income and/or that the Borrower's payment will increase prior to or on the first Mortgage payment due date, the Seller must include in the monthly debt payment-to-income ratio:
 - The greater of the current payment or 0.5% of the outstanding loan balance, or
 - The documented future payment amount if greater than the current payment, or
 - The future payment amount that is less than or equal to the current payment, provided that the Mortgage file contains documentation that the Borrower has recertified their income and the future payment amount has been approved.

Freddie Mac Refinance Mortgages - Freddie Mac has updated the Guide as follows:

"No cash-out" refinance Mortgages

- The allowable use of proceeds from a "no cash-out" refinance Mortgage to specify that the payoff of the existing first Mortgage may include a balance deferred under a loss mitigation plan and any costs or fees associated with the satisfaction and release of the first Mortgage, such as late fees and prepayment penalties.

Continued from previous page...

Cash-out refinance Mortgage updates

- When title is held by a limited liability company or limited partnership, the transfer of the title into the Borrower's name must be completed on or before the Note Date, replacing the previous requirement that the transfer of title must be completed "prior to the Note Date", and
- The 12-month seasoning requirement for the First Lien Mortgage being paid off with proceeds of a cash-out refinance Mortgage does not apply to Construction Conversion and Renovation Mortgages or Manufactured Homes being converted to legally classified real property under applicable State law.

Fannie - Personal gifts and gifts of equity

Fannie has updated their policies on personal gifts and gifts of equity to allow an acceptable donor who is also the seller of the subject property to be eligible if they are not affiliated with another interested party to the transaction. Additionally, they have expanded the policy to allow gift funds to be sourced from an estate of an acceptable donor or a trust established by an acceptable donor.

Refer to [Fannie Mae B3-4.3-04 Personal Gifts](#) for additional information.

Fannie - 3D printed homes

3D printed homes are an innovative building technique that brings efficiency and potential cost savings to new home construction.

To address questions regarding property eligibility and comparable sales requirements, Fannie has clarified their policy that a 3D printed home with a traditional design and constructed using conventional building materials is not considered a unique or nontraditional type of housing as described in the Selling Guide. Follow the standard eligibility and comparable sale selection requirements for site-built housing.

Fannie - Trust income

Fannie has updated their requirements related to trust income as follows:

- Added a requirement that funds used from a trust for down payment, closing costs, or reserves must be subtracted from the total funds available to determine if the income meets the requirements in Continuity of Income in B3-3.1-01, General Income Information.
 - Differentiating treatment of variable and fixed trust payments as follows:
 - Variable trust payments require a minimum 24-month history of receipt and must be documented with two years of tax returns.
 - Fixed trust payments require a minimum 12-month history of receipt (unless certain conditions apply). If the borrower is unable to document a 12-month history, the trust documentation must reflect:
 - Fixed payments,
 - The borrower is not the grantor of the trust, and
 - At least one payment must be received prior to loan closing.
- In either case, proof of current receipt of the income is required and must be documented with a current bank statement or equivalent documentation.
- Included a requirement that when eligible employment-related assets are liquidated and placed in a trust within 12 months of the loan's application date, the lender must comply with the policies in Employment-Related Assets as Qualifying Income.

Guide Update: 713.9.2 Student Loan Debt Calculations

Compliance Updates

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

Coming Soon: Original Note (Note Vault) Address Change

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

400.3: Anti-Predatory Lending and Unfair and Deceptive Practices Act (UDAAP) - 2024 Thresholds

We have made updates to the Section 400.3: Anti-Predatory Lending and Unfair and Deceptive Practices (UDAAP) of the Correspondent Seller and HFA Lending Guides specific to HOEPA/High-Cost Thresholds for 2024 which are shown in **orange** in AllRegs. Loans covered under HOEPA undergo three tests to determine if they are high-cost. The points and fees test align with the points and fees test for Qualified Mortgages (QMs) as shown in the Correspondent Seller and HFA Lending Guides.

400.11: Identity Theft Prevention Program – Red Flag Rules

We have updated various areas of content within this section which are shown in **orange** in AllRegs for ease of review.

Guide Updates: 400.3: Anti-Predatory Lending and Unfair and Deceptive Practices (UDAAP); 400.11: Identity Theft Prevention Program – Red Flag Rules

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 <b style="color: green;">6th Floor 9380 Excelsior Blvd. Hopkins, MN 55343	U.S. Bank Attention: Note Vault <b style="color: red;">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.