



Seller Guide Update



SEL-2023-065: Multiple Topics

November 10, 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.



FHA ADU Rental Income

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: Immediately

FHA Rental Income, Property Eligibility and Appraisal Protocols for Accessory Dwelling Units (ADU).

ADU Defined

An ADU is a single habitable living unit that has separate ingress, egress, private space that is subordinate in size from a primary one-unit Single Family dwelling. A Single Family one unit with an ADU will be classified as a one-unit property.

Rental Income

Rental Income from an ADU is considered effective income and may not be used to reduce the borrowers total mortgage payment. It must be documented with a Uniform Residential Appraisal Report, Fannie Mae Form 1007/Freddie Mac Form 1000 and if available leases. The amount of Rental Income from an ADU must not exceed 30% of total monthly income used to qualify the borrower. Income from an ADU cannot be considered for a cash out refinance.

Reserves

Two months reserves of PITI must be documented and verified if rental income is used.

Limited or No Rental Income History

If the borrower has limited or no rental income history from the subject property since the previous tax filing lenders must use 75% of the lesser of:

- Fair market rent reported by the Appraiser; or
- The rent reflected in the lease or other rental agreement.

Rental Income History

If the borrower has a history of Rental Income lenders must obtain the last two years tax returns and average the amount shown on Schedule E. Positive net Rental Income must be added to Effective Income. Negative Net Rental must be included as a debt/liability.

If the Property has been owned for less than two years, the Mortgagee must:

- Annualize the Rental Income for the length of time the Property has been owned; and
- Document the date of acquisition by providing the deed, Closing Disclosure, or other legal document.

Appraisal Requirement

When the highest and best use analysis determines the Property to be a Single-Family dwelling with an ADU, the Appraiser must:

- Provide a description of the ADU characteristics.
- Summarize ADU's market acceptance.
- Report the Gross Living Area of the ADU separate from the primary dwelling.
- State whether the ADU can be legally rented without restrictions; and
- Report the current ADU occupancy and the relevant details of any known lease agreements.

The Appraiser must include at least one comparable rental that is a Single-Family dwelling with a rented ADU. If a Single-Family dwelling with a rented ADU is not available, the Appraiser must supplement with the most appropriate rental available and summarize the reason for the selection and how the marketability of the ADU was determined.

Property Condition

Underwriting/Delivery	
X	Corr. Delegated
X	Corr. Non-Delegated
	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

Reminder: Final Document Delivery Penalties

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

Questions

U.S. Bank Conventional Agency guidelines have been updated as follows:

U.S. Bank does not accept properties with a condition rating of C5 or C6.

Properties with the initial Condition Rating C5 must have the appraisal completed "subject to" and the reported condition rating must reflect the hypothetical condition that the repairs or alterations have been completed.

Properties with the initial Condition Rating C6 indicate one or more deficiencies that impact the safety, soundness, or structural integrity of the property. Therefore, the appraisal must be completed subject to completion of the deficient item(s).

Guide Update: Section 713.16; Correspondent and HFA Overlay Matrices

As a reminder, and as noted in our Correspondent Seller and HFA Lending Guides, Seller shall perfect title to any Mortgage Loan sold and assigned to U.S. Bank. Seller shall deliver accurate/correct final documents for each purchased Mortgage Loan no later than 90 days from the date of purchase.

If Seller does not deliver all accurate/correct final documents required for any Mortgage Loan to U.S. Bank within 120 days of purchase, U.S. Bank may assess a \$50 monthly penalty fee per deficient Mortgage Loan. U.S. Bank may enforce other Agreement remedies for Seller's breach of obligation.

Billing notification will be delivered once a month for outstanding final documents from the previous month and will be due within 30 days from billing date.

U.S. Bank may elect to collect outstanding documentation from other sources, such as the title company and/or county recorder's office, and any costs associated with the collection will be invoiced to the lender with timely reimbursement expected.

Guide Reference: 640.2: Final Document Delivery Penalties



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.