



Seller Guide Update



SEL-2023-068: Multiple Topics

November 22, 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 Lending Guides, specific to Loan Delivery, Underwriting and Credit Policy.

U.S. Bank Correspondent Seller and HFA 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 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 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 include underwriting and delivery method checkboxes to each section when applicable.

You'll also find a 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:

- Employment Offers or Contracts
- Income Updates
- Timeshare Related Obligations
- Unacceptable Appraisal Practices

Fannie Mae - Employment offers or contracts

Fannie Mae has revised their policy to make it clear when a borrower is scheduled to begin new employment under the terms of an employment offer or contract, the offer or contract cannot be for employment by a family member or interested party to the transaction. This requirement applies regardless of whether a paystub is obtained prior to loan delivery.

Freddie Mac - Income Updates

Written Income Analysis

Freddie Mac has provided examples of content that may be included in the Underwriter's written income analysis to emphasize the importance of documenting the income analysis and calculation, which may aid in future secondary reviews. For loans underwritten by U.S. Bank, it is recommended that this analysis is included within the Income Calculation Worksheet to ensure that this information can be easily located during secondary reviews.

Employed Income History, Earnings Types and Income Calculation Specificity

Freddie Mac has expanded certain requirements and providing additional specificity and guidance related to determining the appropriate income calculation and analysis when underwriting a Borrower with employed income. These updates do not represent a tightening of the existing requirements.

- **Employment History Requirements (Primary Employment – Minimum 12-Month History)** - Expanded the 12-month minimum employment history requirement for fluctuating hourly earnings to permit prior salaried employment in a similar industry or job type that had an income level consistent with the current income level based on the income trend analysis.
- **Determining the Earnings Type** - Provided additional specificity, including updated descriptions and examples, to aid in determining the Borrower's earnings type so the appropriate income analysis and calculation are used to qualify the Borrower.
- **Employed Income Calculation – General Requirements and Guidance**, provided guidance on general underwriting topics related to income calculation, including:
 - Pay frequency.
 - Documented income breakdowns to include purpose/verification method.
 - Verification of pay raises to include purpose/verification method, as well as how and when to use the calculation method that applies the current pay rate to average number of hours worked during the prior and current year.
- **Fluctuating Employment Earnings – Income Calculation Method and Trend Analysis – Updated analysis based on the degree of income fluctuation:**
 - Degree of fluctuation $\leq 10\%$: Emphasizing that no additional analysis or documentation is required.
 - Degree of fluctuation $> 10\% - \leq 30\%$: Expanding requirements to state no additional analysis or documentation is required when increase is supported by the documented income breakdown and/or verification of pay raise.

Review [5303.2: Primary and secondary employment and income](#), [5303.3: Additional employed income](#) and [5303.4: Employed income calculation guidance and requirements](#) for additional guidance.

Agency Underwriting Changes, continued

Freddie Mac - Timeshare Related Obligations

Freddie Mac has updated the Guide to address timeshare related obligations by specifying that:

- Timeshare loans are considered installment debts, regardless of how they are reflected on the credit report (e.g., as a mortgage); as such, payments for timeshare loans are not considered housing payments, and foreclosure recovery time periods for reestablishment of credit are not applicable to timeshare loans in foreclosure,
- Timeshare maintenance fees are not required to be included in the Borrower's monthly debt payment-to-income ratio, and
- Timeshare ownership is not considered an ownership interest in a residential property for purposes of the Glossary definition of "First-Time Homebuyer".

Freddie Mac - Unacceptable Appraisal Practices

Freddie Mac has updated their list of unacceptable appraisal practices to:

- Provide "working class" and "inner city" as additional examples of terminology or veiled language that could indicate underlying bias.
- Identify that inclusion of references, statements or comparisons about crime rates or crime statistics, whether objective or subjective, in the appraisal analysis or report is an unacceptable appraisal practice.
- Acknowledge that the scope of work of some appraisals does not require a personal inspection of the comparable properties.
- Reflect that development of an opinion of value based on factors that local, State or federal law designates as discriminatory is unacceptable.

For appraisal orders that are placed with RedSky Risk Services, the RedSky appraisal review process will automatically review for these practices and no additional due diligence is required.

FHA Manufactured Housing Appraisal

Underwriting/Delivery	
	Corr. Delegated
	Corr. Non-Delegated
	Corr. EZD
	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 is updating appraisal requirements of manufactured housing for the sales comparison approach.

Sales Comparison Approach

The appraiser must include at least two manufactured homes in the sales comparison approach grid.

If the manufactured home is certified based on Fannie Mae's MH Advantage or Freddie Mac's CHOICEHome program, the appraiser must include two comparable sales with similar certification. If fewer than two MH Advantage or CHOICEHome sales are available, the appraiser must use the most appropriate site-built comparable sales and must provide detail justification to support the selection of comparable properties and the adjustments made for dissimilarities to the subject property.

Photos of the MH Advantage Sticker or CHOICEHome label near the HUD data plate must be included in the appraisal report.

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.