



Best Practices



February 2024 – Top Quality Findings

February 9, 2024

Correspondent Lending

Housing Finance Agency (HFA)

Summary

U.S. Bank provides information to help lenders submit complete loan files for purchase. This information provides the most recent Quality Findings and Best Practices to cure.

Rank	Finding	Common Error(s)	Best Practice
1	Income/ Employment	Borrower not employed as disclosed.	All gaps in employment documented by the employer(s) and explained by the borrower. A two-year work history is required. This may necessitate previous employment be verified and is different than earnings verification.
		Income used to qualify was not calculated accurately.	Variable income should not be included in base pay. All other sources of income should be calculated separately. A two-year earnings history may be required and necessitate previous employment be verified.
		Income documentation missing or expired.	AUS findings provide the required documentation for income sources input and used for the decision. Ensure that feedback messages are reviewed and account for all sources of income.
			Pre-Funding verbal verification of employment completed prior to the loan closing and disbursement, not to exceed: 1) Conventional & Portfolio – 10-business days, 2) FHA, VA, and USDA – 10-calendar days.
			Written verification of employment signed and dated within 120-days of loan closing and disbursement.
		Other income evidence of at least three-year continuance.	SSA Disability Benefits documented and support a 3-year continuance to be used for qualifying.
Child support income documented and supports a 3-year continuance to be used for qualifying.			
2	Assets	Gifts not properly documented. Missing gift funds documentation.	All three facets must be included in the file for the gift to be included as an acceptable source of funds for closing. 1. Gift letter signed by the donor. 2. Verify sufficient funds to cover the gift in the donor's account (checking, savings, investment, trust, or estate account owned by the donor) or have been transferred to borrower's account. 3. Transfer and receipt of funds in a borrower owned account. When funds are not transferred prior to settlement, document that the donor gave the closing agent the gift funds in the form of an electronic transfer, certified check, a cashier's check, or other official check.
			If the EMD is being used as part of the borrower's minimum contribution requirement, verify that the funds are from an acceptable source.
		Missing documents verifying sufficient funds to close, Earnest Money Deposit (EMD).	Receipt of the EMD verified by either a copy of borrower's canceled check or written statement from deposit holder.
			The EMD must not be counted twice in the Mortgage evaluation (i.e., deducted from the funds to close and counted in assets). For FHA, verify and document the borrower's earnest money deposit including the amount and the source when the earnest money exceeds one percent of the sales price or "is excessive based on the borrower's history of accumulating savings".



**Top
Quality
Findings,
continued**

Rank	Finding	Common Error(s)	Best Practice
3	Credit	Omitted debt not properly documented	Documentation of all monthly payment amounts for liabilities included in the mortgage file, and the monthly payment amount included in the debt payment-to-income ratio. Provide verification of payoff amount with proof of payment to match.
		Undisclosed Debt	When reviewing documentation, a material payment amount is defined as an increase to the existing DTI or more or causing the DTI to exceed 45%. If deemed to be material, the payment must be included in the debt and the loan must be through the AUS. Items of a lesser amount do not need to be investigated or conditioned for explanation.
			Assets Statements: When reviewing the borrower(s)' asset statements, check to see if there are any material payments such as payments to financial institutions, individuals, rental/leasing companies or the IRS, through item descriptions on the bank statement (i.e., description on the checks, ACH payments, credit /debit payments and mobile app payments).
		Incorrect PITIA amounts used for qualifying.	When a borrower owns rental property or is retaining their departure residence document the full PITIA and include for qualifying.
4	General Loan Origination	Missing complete and accurate sales contract and addendums.	All addendums should be numbered and are required to be signed and/or initialed with a date if applicable by the borrowers and sellers.
			If the Seller Property Condition disclosure statement is listed as an attachment or addendum to the purchase agreement it should be included in the contract.
			The disclosure of "Information on lead-based paint and lead-based paint hazards" is required for FHA transactions when the property was constructed prior to 1978.
		AUS documentation or conditions not met.	AUS findings provide documentation requirements for assets, reserves, credit, income, and property. Proper data entry is essential.
Findings will include requirements for borrower's legal residency, fees to be collected from the lender at the time of closing, Special Feature & IFI Codes, eligibility rules, i.e., Duty to Serve. It is the seller's responsibility to make sure loan information submitted to an AUS agrees with the documentation provided. Frequently missed feedback messages, finding or documents include: <ol style="list-style-type: none"> 1. Explanation or documentation for red flag(s). 2. Required funds to close or reserves are short. Asset statements do not support the dollar amount required on the feedback. 3. Property Taxes, Insurance or Assessments do not match the feedback. New construction properties require estimated property taxes, calculated at mill rate, be used for qualifying. 4. Documentation to support omission of debt. 5. Explanation of credit report inquiries. 6. Documentation for authorized signer accounts. 			

Top Quality Findings, continued

Rank	Finding	Common Error(s)	Best Practice
5	Appraisal and Property	Missing appraisal update on expired appraisal.	Provide an Appraiser Certificate of Completion when initial report is subject to repairs or completion.
			Appraisal reports are valid for the following time periods: <ol style="list-style-type: none"> Agency - 120-calendar days. The recertification of value is good for 1- to 3- recertifications up to 1-year from the original appraisal date. FHA – 180-calendar days. 30-day extensions are no longer allowed. VA – 180-calendar days. VA does not allow appraisal updates or extensions.
		Property issues not addressed.	If the appraiser has identified safety, soundness, or structural issues the property must be appraised “subject to” completion of the specific repairs or alterations.
			When an appraisal is completed “subject to”, U.S. Bank’s current policy requires that a re-inspection be performed.
			When the “as-is” appraisal report contains photos or comments that raise questions as to the safety, soundness, or structural integrity of the property, an inspection report by a licensed or certified inspector or contractor confirming there is no impact will be required or provide evidence the necessary repairs were completed.
		Solar Panels	When considering properties with solar panels, U.S. Bank must take into consideration ownership of the solar panels and any liens upon the property relating to debt or lease payments used to obtain the solar panels.
			U.S. Bank must review any UCC-1 Financing Statement or lease agreement associated with the solar panels to determine if liens are against the real estate or against the solar panels themselves.
			The property must maintain access to electrical utilities consistent with community standards.
			Refer to the following seller guides for additional information: <ol style="list-style-type: none"> FNMA B2-3-04, Special Property Eligibility Considerations (10/04/2023), FHLMC 5601.4: Eligibility of properties with energy efficient improvements and properties with solar panels (03/31/22), U.S. Bank Correspondent Seller > 1000: Communications > 1011: Seller Guide Updates > 2021 > SEL-2021-004: Multiple Topics (01/29/21).
		6	Missing Documents
Frequently missing documents include Mortgage Insurance certificate, Name affidavit, NOV for the subject Property for VA loans, VA Amendatory Clause, Final Loan Application signed and dated by the Loan Officer.			
Review internal processes for assembling a complete loan file. Consider using the U.S Bank Closed Loan Delivery Checklists or use it as a guide to create your own.			
7	General Underwriting	VA Escape Clause not completed by all parties.	The Escape Clause must be signed by the Veteran buyer and the seller on all VA-guaranteed purchase transactions if the sales contract was signed by the Veteran prior to receipt of the NOV.
		The HUD 92900A was not completed accurately by the Underwriter.	Page 3 Part IV A must be signed by the Underwriter or Mortgage Representative for Accept or Approve loans via TOTAL Scorecard and Part IV B must be signed by the DE Underwriter that underwrote the appraisal and issued the FHA Conditional Commitment 92800.5b. Refer to the attached Job Aid for complete details.

Top Quality Findings, continued

Rank	Finding	Common Error(s)	Best Practice
8	Loan Closing	VA Report and Certification of Loan Disbursement not completed by all parties.	VA Form 26-1820 is used by lenders to report a loan to VA for guaranty upon closing. Lenders must complete the form on every VA guaranteed, or insured loan. 1. Fully completed including Section I, box 7. Purpose of Loan 2. Complete Section II, including date, signature, and title of Lender Representative boxes 34 & 35. 3. Borrower and co-borrower (if applicable) to sign and date at the time of loan closing in Section III-Veteran's Certification, boxes 39, 40 & 41 (if applicable).
		Settlement Certification in the file is not properly executed.	The Settlement Certification is a document that must be signed by the home buyer (borrower), seller and settlement agent for all FHA insured loan transaction.

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

- **Correspondent**
 - [1141.1: Conventional Closed Loan Documentation Requirements](#)
 - [1141.2: Government Closed Loan Documentation Requirements](#)
- **HFA**
 - [Conventional Loan Delivery Checklist](#)
 - [Government Loan Delivery Checklist](#)

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

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.

The HUD Form 92900-A, Addendum to Uniform Residential Loan Application is a FHA requirement and must contain signatures from the underwriter, "other lender representatives", and the loan applicant(s).

**Pages 1 & 2 must be signed by the Borrower(s) prior to Underwriting per FHA requirements.
Failure to provide properly executed document will result in un-insurability
with FHA and non-purchase by U.S. Bank**

HUD Addendum to Uniform Residential Loan Application

OMB Approval No. HUD: 2502-0059 (exp. 12/31/2023)

Part I - Identifying Information HUD/FHA Application for Insurance under the National Housing Act and Borrower Certification	FHA Case No. (include any suffix) 10 digit Case Number and 3 digit ADP Code - must match FHA Connection Case Number Assignment	Mortgagee Case No. 3rd Party Lenders Loan Number
Mortgage ID Third Party Lenders ID Number, this can be found on the FHA Connection Case Number Assignment	Sponsor ID U.S. Bank Home Mortgage ID	Agent ID
Mortgage Name, Address (include ZIP Code) and Telephone Number Third Party Lenders Name, Address and Phone Number <small>Type or print all entries clearly</small>	Name and Address of Sponsor U.S. Bank Home Mortgage Name and Address	Name and Address of Agent
Borrower's Name & Present Address (include ZIP Code) Ensure the name matches FHA Connection and the borrowers current address on the URLA	Property Address (include name of subdivision, lot & block no., & ZIP Code) Ensure the subject property address matches FHA connection including Zip Code. Capture the Subdivision, Lot and Block for the subject property.	
Sponsored Originations	Name of Third-Party Originator Third Party Lenders MLO name	NMLS ID of Third-Party Originator Third Party Lenders MLO

Part II - Borrower Consent for Social Security Administration to Verify Social Security Number

I authorize the Social Security Administration (SSA) to verify my Social Security Number (SSN) to the Mortgagee and HUD/FHA. I authorize SSA to provide explanatory information to HUD/FHA in the event of a discrepancy. This consent is valid for 180 days from the date signed, unless indicated otherwise by the individual(s) named in this loan application.

Signature(s) of Borrower(s) - Read consent carefully. Review accuracy of Social Security Number(s) provided on this application.

Ensure the borrower information matches FHA Connection and the URLA

Borrower's Name: _____
 Date of Birth: _____
 Social Security Number: _____

Co-Borrower's Name: _____
 Date of Birth: _____
 Social Security Number: _____

Signature(s) of Borrower(s) Date Signed

Signature(s) of Co-Borrower(s) Date Signed

Borrower's signature and date must be prior to Underwriters review. See Underwriter's certification in Part IV - Section A on page 3.

Part III - Borrower Notices, Information, and Acknowledgment

Public Reporting Burden

Public reporting burden for this collection of information is estimated to average 10 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number, which can be located on the OMB Internet page at <http://www.reginfo.gov/public/do/PRAMain>.

Privacy Act Information

The information requested on the Uniform Residential Loan Application and this Addendum is authorized by the National Housing Act of 1934, 12 U.S.C. § 1701, et seq. The Debt Collection Act of 1982, Pub. L. 97-365, and HUD's Housing and Community Development Act of 1987, 42 U.S.C. § 3543, require persons applying for a federally insured loan to furnish their SSN. You must provide all the requested information, including your SSN. HUD may conduct a computer match to verify the information you provide. HUD may disclose certain information to Federal, State and local agencies when relevant to civil, criminal, or regulatory investigations and prosecutions. It will not otherwise be disclosed or released outside of HUD except as required and permitted by law. The information will be used to determine whether you qualify as a mortgagor. Failure to provide any of the requested information, including SSN, may result in disapproval of your loan application. This is notice to you as required by the Right to Financial Privacy Act of 1978 that HUD/FHA has a right of access to financial records held by financial institutions in connection with the consideration or administration of assistance to you. Financial records involving your transaction will be available to HUD/FHA without further notice or authorization but will not be disclosed or released by the institution to another Government Agency or Department without your consent except as required or permitted by law.

WARNING: This warning applies to all certifications made in this document.

Anyone who knowingly submits a false claim, or makes false statements is subject to criminal and civil penalties, including confinement for up to 5 years, fines, and civil penalties. 18 U.S.C. §§ 287, 1001 and 31 U.S.C. § 3729

Borrowers name as it appears
in FHA Connection

Borrower Name: _____

10 digit case number
assigned in FHA Connection

FHA Case No.: _____

Caution: Delinquencies, Defaults, Foreclosures and Abuses

Delinquencies, defaults, foreclosures and abuses of mortgage loans involving programs of the Federal Government can be costly and detrimental to your credit, now and in the future. The Mortgagee in this transaction, its agents and assigns, as well as the Federal Government, its agencies, agents and assigns are authorized to take any and all of the following actions in the event loan payments become delinquent on the mortgage loan described in the attached application: (1) Report your name and account information to a credit bureau; (2) Assess additional interest and penalty charges for the period of time that payment is not made; (3) Assess charges to cover additional administrative costs incurred by the Federal Government to service your account; (4) Offset amounts owed to you under other Federal programs; (5) Refer your account to a private attorney, collection agency or mortgage servicing agency to collect the amount due, foreclose the mortgage, sell the property, and seek judgment against you for any deficiency; (6) Refer your account to the Department of Justice (DOJ) for litigation in the courts; (7) If you are a current or retired Federal employee, take action to offset your salary, or civil service retirement benefits; (8) Refer your debt to the Internal Revenue Service for offset against any amount owed to you as an income tax refund; and (9) Report any resulting written off debt of yours to the Internal Revenue Service as your taxable income. All of these actions may be used to recover any debts owed when it is determined to be in the interest of the Mortgagee or Federal Government, or both.

As a mortgage loan borrower, you will be legally obligated to make the mortgage payments called for by your mortgage loan contract. The fact that you dispose of your property after the loan has been made will not relieve you of liability for making these payments. Payment of the loan in full is ordinarily the way liability on a mortgage note is ended. Some home buyers have the mistaken impression that if they sell their homes when they move to another locality, or dispose of it for any other reasons, they are no longer liable for the mortgage payments and that liability for these payments is solely that of the new owners. Even though the new owners may agree in writing to assume liability for your mortgage payments, this assumption agreement will not relieve you from liability to the holder of the note which you signed when you obtained the loan to buy the property. Unless you are able to sell the property to a buyer who is acceptable to HUD/FHA who will assume the payment of your obligation to the lender, you will not be relieved from liability to repay any claim which HUD/FHA may be required to pay your lender on account of default in your loan payments. The amount of any such claim payment may be a debt owed by you to the Federal Government and subject to established collection procedures.

Fair Housing Act

I and anyone acting on my behalf are, and will remain, in compliance with the Fair Housing Act, 42 U.S.C. § 3604, et seq., with respect to the dwelling or property covered by the loan and in the provision of services or facilities in connection therewith. I recognize that any restrictive covenant on this property related to race, color, religion, sex, disability, familial status, or national origin is unlawful under the Fair Housing Act and unenforceable. I further recognize that in addition to administrative action by HUD, a civil action may be brought by the DOJ in any appropriate U.S. court against any person responsible for a violation of the applicable law.

Certification and Acknowledgment

All information in this application is given for the purpose of obtaining a loan to be insured under the National Housing Act and the information in the Uniform Residential Loan Application and this Addendum is true and complete to the best of my knowledge and belief. Verification may be obtained from any source named herein. I have read and understand the foregoing concerning my liability on the loan and Part III, Borrower Notices, Information, and Acknowledgment.

Signature(s) of Borrower(s) - Do not sign unless this application is fully completed. Read the certification carefully and review accuracy of this application.

Signature(s) of Borrower(s)  Date Signed

Signature(s) of Co-Borrower(s)  Date Signed

Borrower's signature and date must be prior to the DE Underwriters review and approval in Part IV - Section A on page 3.

**Pages 1 & 2 must be signed by the Borrower(s) prior to Underwriting per FHA requirements
Failure to provide properly executed document will result in un-insurability
with FHA and non-purchase by U.S. Bank**

Page 3 Part IV A must be signed by the Underwriter or Mortgagee Representative for Accept or Approve loans via TOTAL Scorecard
Part IV B must be signed by the DE Underwriter that underwrote the appraisal and issued the FHA Conditional Commitment 92800.5b
Failure to provide properly executed document will result in un-insurability with FHA and non-purchase by U.S. Bank

Borrower Name: Borrowers name as it appears in FHA Connection

FHA Case No.: 10 digit case number assigned in FHA Connection

Part IV - Direct Endorsement Approval for a HUD FHA-Insured Mortgage

A. Underwriting the Borrower

The greater of 90 days from the approval date OR the Action Date on the Conditional Commitment.

Date Mortgage Approved: Final Approval Date

Date Approval Expires: on the Conditional Commitment.

For mortgages rated as an "accept" or "approve" by FHA's TOTAL Mortgage Scorecard:

- The information submitted to TOTAL was documented in accordance with Single Family Housing Policy Handbook 4000.1 (SF Handbook) and accurately represents the final information obtained by the mortgagee; and
- This mortgage complies with SF Handbook 4000.1 Section II.A.4.e Final Underwriting Decision (TOTAL) to the extent that no defect exists in connection with the underwriting of this mortgage such that it should not have been approved in accordance with FHA requirements.

I certify that the statements above are materially correct, with the understanding that, in the event HUD elects to pursue a claim arising out of or relating to any inaccuracy of this certification, HUD will interpret the severity of such inaccuracy in a manner that is consistent with the HUD Defect Taxonomy in effect as of the date this mortgage is endorsed for insurance.

Mortgagee Representative Signature: Signature of Underwriter or Mortgagee Representative



Printed Name: Name of Underwriter or Mortgagee Representative

Title: Title of Underwriter or Mortgagee Representative

Title: _____

----- **OR** -----

For mortgages rated as a "refer" by FHA's TOTAL Mortgage Scorecard, or manually underwritten by a Direct Endorsement underwriter:

- I have personally reviewed and underwritten the borrower's credit application;
- The information used to underwrite the borrower was documented in accordance with Single Family Housing Policy Handbook 4000.1 (SF Handbook) and accurately represents the final information obtained by the mortgagee; and
- This mortgage complies with SF Handbook 4000.1 Section II.A.5.d Final Underwriting Decision (Manual) to the extent that no defect exists in connection with the underwriting of this mortgage such that it should not have been approved in accordance with FHA requirements.

I certify that the statements above are materially correct, with the understanding that in the event HUD elects to pursue a claim arising out of or relating to any inaccuracy of this certification, HUD will interpret the severity of such inaccuracy in a manner that is consistent with the HUD Defect Taxonomy in effect as of the date this mortgage is endorsed for insurance.



Direct Endorsement Underwriter Signature: _____ DE's ID Number: _____

Only required for REFER or Manually Underwritten loans.

B. Underwriting the Property

For all mortgages where FHA requires an appraisal, I have personally reviewed and underwritten the appraisal according to FHA requirements. I certify that the statements above are materially correct, with the understanding that in the event HUD elects to pursue a claim arising out of or relating to any inaccuracy of this certification, HUD will interpret the severity of such inaccuracy in a manner that is consistent with the HUD Defect Taxonomy in effect as of the date this mortgage is endorsed for insurance.



Direct Endorsement Underwriter Signature: _____ DE's ID Number: _____

Must match the signer on the Conditional Commitment 92800.5b for the appraisal

Borrowers name as it appears
Borrower Name: in FHA Connection

10 digit case number
FHA Case No.: assigned in FHA Connection

Part V. Mortgagee's Certification

- I have personally reviewed the mortgage documents and the application for insurance endorsement; and
- This mortgage complies with SF Handbook 4000.1 Section II.A.7 Post-Closing and Endorsement to the extent that no defect exists that would have changed the decision to endorse or submit the mortgage for insurance.

I certify that the statements above are materially correct, with the understanding that in the event HUD elects to pursue a claim arising out of or relating to any inaccuracy of this certification, HUD will interpret the severity of such inaccuracy in a manner that is consistent with the HUD Defect Taxonomy in effect as of the date this mortgage is endorsed for insurance.

Mortgagee Third Party Lender must complete this section Post Closing.	
Name of Mortgagee's Representative	
Title of Mortgagee's Representative	
Signature of the Mortgagee's Representative Signature of Third Party Lender is required	Date Date must be AFTER Loan Closing



**Page 4 must be signed by the Third Party Lender Representative(s) at or post closing
Failure to provide properly executed document will result in un-insurability
with FHA and non-purchase by U.S. Bank**

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