



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	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. Gifts must be evidenced by a letter signed by an acceptable donor. 2. The lender must verify that sufficient funds to cover the gift are in the donor’s account (such as a checking, savings or investment account, or trust or estate account owned by the donor) or have been transferred to the borrower’s account. 3. Evidence the Transfer from the donor and receipt of funds in a borrower owned account.
			Verify the donors name on the gift letter matches the documentation to evidence gift from donor’s account and transfer of the gift to Borrower such as canceled check, asset statements from donor, wire confirmation must show donor’s acct information or sender’s name.
			When the funds are not transferred prior to settlement, the lender must 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. Ensure the amount/names match the gift letter.
			Confirm the AUS findings reflect the correct amount of the gift
		Large deposits not properly documented.	Obtain a credible explanation and document that the funds came from an acceptable source when depository assets are used to support the amount of funds required including those to satisfy debt or pay costs outside of closing and reserves. 1. FHA: The lesser of \$1,000 or 5% of the loan amount. 2. FNMA: A single deposit that exceeds 50% of the total monthly qualifying income for the loan on Purchase transactions. DU will issue a message on purchase transactions reminding lenders when large deposits need to be documented. 3. FHLMC: Any single deposit exceeding 50% of the sum of the total monthly qualifying income for the Mortgage. For purchase transactions, when Loan Product Advisor® identifies large deposits, it will issue feedback messaging identifying the amount of the large deposits.
			Earnest Money not documented.
		Missing asset documentation.	
Missing CD from sale of existing property for funds to close.	When using retirement funds the terms and conditions for withdrawal are required and must be specific to the retirement asset. Proof of liquidation is required for fund used to close. Evidence the sale has been completed must be included in the closing package to verify proceeds from the sale of real estate.		



**Top
Quality
Findings,
continued**

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2	Credit	Omission of Debt.	If the credit report, deposit verification, bank statement, or pay stub(s) reveals any debts or obligations which were not divulged by the borrowers): 1. Obtain clarification as to the status of such debts from the borrower(s), then 2. Verify any remaining discrepancies with the creditor including payment amount, payment history and remaining balance.
			Ensure AUS findings accurately reflect all non-credit report debts.
		Missing documentation for accurate payments, history, & used in DTI.	For new construction the Title Commitments or Title Certifications may only reflect the Real Estate taxes on the unimproved lot value. The tax figure used for qualifying must be the higher of the acquisition cost (including cost to build plus lot) or the assessed property value to determine the property taxes of a new construction property.
			For existing properties, the Real Estate taxes listed on the Title Commitment or Title Certification must be used to determine the subject property's annual tax unless State or local requirements provide for a different amount. If there is a change in the tax amount, a statement must be provided by the title company indicating same.
			California law reassesses tax at time of sale for both new construction and existing properties; therefore, current tax rate 1.25% must be applied to the Sales Price of the property. If the property is subject to a Mello Roos or other levy use the tax rate of 1.25% plus the amount of the levy showing on the Preliminary Title. Do not use tax amounts based upon prior assessed values. This calculation must be used unless it is documented that a lesser amount is allowed.
			Non-Occupant Coborrowers primary housing expense(s) must be documented and included in the total qualifying debt ratios. This includes PITIA for any mortgage and/or rent.
			For second home or investment properties the borrowers primary housing expense must have documents and included in the ratios. This includes PITIA for any mortgage and/or rent.
Ensure AUS findings accurately reflect all housing related expenses for all borrowers.			
4	Income and Employment	Employment not properly verified.	A two-year work history is required. This may necessitate previous employment be verified and is different than earnings verification.
			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/USDA: 10-calendar days.
			Written verification of employment must not be dated more than 120-days prior to loan closing and disbursement.
		Income not properly calculated	A two-year earnings history may be required and necessitate previous employment be verified.
			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.
			Paystubs must be dated o more than 60-days prior to the loan application and 120-days prior to closing and disbursement.
			Self-employment must be documented per the AUS Findings. When providing tax returns ensure that all schedules and attachments are included.
Evaluating and Calculating Borrowers Income - Focus on Variable Sources Webinar: https://mgic.webex.com/recordingservice/sites/mgic/recording/2d932c25c2b8103caff952ad7f217889/playback			

Top Quality Findings, continued

Rank	Finding	Common Error(s)	Best Practice
5	General Loan origination	AUS conditions not satisfied. File does not contain documentation supporting AUS data.	Include an explanation for all inquiries from the last 90 days on the credit report that do not match the lender's name.
			Document authorized user account identified by the AUS and Credit Repositories. If the borrower is an authorized user, their FICO score can be used if we obtain and retain evidence in the mortgage file of at least one of the following for each authorized user account. 1. Another Borrower on the Mortgage owns the trade lines in question, 2. The trade line is owned by the Borrower's spouse, or 3. The Borrower has been making the payments on the account for the last 12 months.
			Review all documentation requirements called out in the AUS and provide the required documents.
			Ensure the documentation in the loan file matches the data entered and used for decisioning in the AUS.
			Verification of monthly payment amounts not on the credit report must be documented and included in the debt ratios such as student loans or taxes and insurance on other property.
			Additional information available: U.S. Bank Correspondent Seller Guide: 1000: Communications Fannie Mae's DU Red Flags, Recent Quality Control (QC) Reviews and Best Practices (03/08/24).
		Missing complete and accurate sales contract and addendums	Ensure all addendums noted in the contract are attached, signed, and dated by all applicable parties.
			For FHA Loans the Lead Paint Notice, Amendatory Clause and Real Estate Certificate are required on all transactions.
			For VA loans the VA Escape Clause is required on all transactions.

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.