



Seller Guide Update



SEL-2024-034: Multiple Topics

August 30, 2024

- Correspondent Lending
- Housing Finance Agency (HFA)

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Summary



U.S. Bank Correspondent Seller and HFA Lending Guides

The items listed above have recently been updated in the Correspondent Seller and HFA Lending Guides, specific to Loan Delivery, Underwriting and Credit Policy.

- 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 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 always be utilized as the source of truth.
- As a reminder, U.S. Bank publishes a monthly summary of all Correspondent and HFA communications published for the previous month. This summary is intended to assist you in making sure your organization received and read all U.S. Bank communications published during the prior month. All documents are published in our Correspondent and HFA Communications libraries in Section 1000 of AllRegs:
 - 1010: Bulletins
 - 1011: Seller Guide Updates
 - 1012: Best Practices

1013: Pricing Flashes

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 grids that outline the applicable products.

Effective Date

Immediately unless otherwise noted within each section.



Agency Underwriting Changes

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

Effective Date: Effective Immediately unless otherwise noted

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

- Rent-back credit on purchase transactions
- Rent credit with an option to purchase
- Self-employed income
- Employed income: non-arm's length employment
- Calculation of income from fluctuating hourly employment
- Documentation for Social Security retirement and Social Security disability income types

Rent-back credit on purchase transactions: Fannie Mae is updating their rent-back credit policy which is an amount paid by the property seller to the borrower in exchange for allowing the seller to stay in the home for a specified period after closing. While rent-back credit to the borrower paid by the seller is permissible as part of the sale, it cannot be used as an eligible source of funds for closing costs, down payment, or reserves. Additionally, lenders must underwrite the loan without any consideration of the rent-back credit and must document that the borrower has sufficient funds for the transaction from eligible sources.

Note: For loans secured by the borrower's principal residence, the borrower must continue to meet any occupancy requirements as outlined in the security instrument.

Rent credit with an option to purchase: Fannie Mae's current policy states that rent credit, which is determined by calculating the difference between the market rent and the actual rent paid for the last 12-months, can be credited towards the downpayment or minimum borrower contribution under a documented rental/purchase agreement. This policy update permits more than 12-months' rent credit to be used if all other requirements are met. Additionally, we expanded the documentation requirements to include:

- Rent verification documentation, including bank statements or other reasonable methods evidencing the rental payments over the term of the agreement; and
- Minimum terms outlined in the rental/purchase agreement.

Self-employed income: Freddie Mac is making the following updates related to self-employed income. Self-employed history of less than two years:

- Specifying that the Borrower must have a combined two-year history of receipt of income from the current self-employment and the prior job in the same or similar occupation or industry
- Specifying that the qualifying income must be determined by using the lesser of the stable monthly income from the new business or the stable monthly income earned in the previous occupation

Business structure changes: Adding guidance and requirements to address business structure changes (e.g., the Borrower's business structure changed from a sole proprietorship to an S-corporation), including requiring that there must be no change in the Borrower's percentage of ownership interest for the current and prior business structures to be considered the same business.

Agency Underwriting Changes, continued

Employed income: non-arm's length employment: Freddie Mac has updated their requirements to:

- Permit the use of the Internal Revenue Service (IRS) wage and income transcript for the most recent year in lieu of the tax returns, and
- Specify that the documentation must validate the prior year earnings from current employment and support the current income level. If the current income level is not supported, the Seller may use the validated income amount from the prior year as qualifying income.

A new LPA feedback message will be introduced for this topic soon.

Calculation of income from fluctuating hourly employment: Freddie Mac has specified that in certain instances, the income average for fluctuating earnings may be based on a shorter number of months than the standard requirement.

In certain instances, the calculation may be based on a shorter number of months if the Underwriter provides a written justification and/or documentation to support the applicable months used in the calculation. The total number of months used in the calculation must be at least 12-months. Additionally, the calculated income must be reasonably expected to continue for at least the next three years.

Documentation for Social Security retirement and Social Security disability income types: Freddie Mac has expanded their documentation requirements for Social Security retirement and Social Security disability income types to permit IRS Form 1099-SSA and pages 1 and 2 of the borrower's most recent federal individual income tax return or pages 1–3 if the tax return was filed using IRS Form 1040-SR. When using tax returns that were filed jointly with an individual who is not a borrower on the transaction, additional documentation is required.

End of Cycle Coming Soon - Government ARM Change Dates

As a reminder, we are quickly approaching the end of a cycle to accept specific change dates for FHA/VA ARM loans as follows:

- **Last Day to Purchase** – August 19, 2024, was the last day to purchase FHA/VA ARM loans with an October 1, 2029 change date.
- **Loans Purchased and Change Date Requirements** - Loans purchased after August 19, 2024 must have a January 1, 2030, change date.

This applies to all loans that are scheduled to be delivered or have been delivered.

Guide Update: 1300: ARM Documents > Disclosures > [FHA/VA ARM Change Dates](#)

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

Disaster Area Declarations

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

The following counties have been declared as Presidential Disaster Areas with Individual Assistance.

- Agency, Portfolio, VA, and RD loans with subject properties located in counties listed below that have not CLOSED by the Disaster Declaration Date must follow the requirements listed in AllRegs.
- FHA loans with subject properties located in the counties listed below that have not been ENDORSED as of the Disaster Declaration Date must follow the FHA requirements listed in AllRegs.

Declaration Date	State	County
August 10, 2024	Florida	Columbia, Dixie, Gilchrist, Hamilton, Lafayette, Levy, Manatee, Sarasota, Suwannee, Taylor

Guide Section: 711.20 FHA – Natural Disaster Procedures, 712.21 VA - Natural Disaster Procedures, 713.20 - Natural Disaster Procedures, 714.1.10 - Natural Disaster Procedures, 715.20 RD - Natural Disaster Procedures

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.