



Seller Guide Update



SEL-2020-043: Multiple Topics

May 22, 2020

- 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.

Keeping you informed

U.S. Bank continues to closely monitor the ever-changing landscape of our business as a result of the impacts of the coronavirus (COVID-19).

For information about our ongoing work to support our lending partners and customers, we invite you to visit our Correspondent/HFA COVID-19 Resource Page within AllRegs for regular updates and the most current information. We know you have many questions and we are diligently working to address each of them. We have developed a list of [COVID-19 Frequently Asked Questions](#) and will continue to update this document on a regular basis to keep you informed of process and policy updates.

For additional information about our ongoing work to support customers, we invite you to visit [U.S. Bank's COVID-19 support site](#) for regular updates and the most current information.



Government Requirements and Guidance Related to COVID-19

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
<input checked="" type="checkbox"/>	Corr. Non-Delegated
<input checked="" type="checkbox"/>	Corr. EZD
<input checked="" type="checkbox"/>	Corr. Mandatory
<input checked="" type="checkbox"/>	HFA Delegated
<input checked="" type="checkbox"/>	HFA Non-Delegated
Products	
<input type="checkbox"/>	Conv. (Freddie)
<input type="checkbox"/>	Conv. (Fannie)
<input type="checkbox"/>	Conv. (Portfolio)
<input checked="" type="checkbox"/>	FHA
<input checked="" type="checkbox"/>	VA
<input checked="" type="checkbox"/>	Rural Development

Due to the current economic disruption and market uncertainty associated with the COVID-19 event, U.S. Bank will continue to update temporary guidelines with changes and clarifications as we align our communications with investor guidance.

Extension of Temporary Changes from Previous Seller Guide Updates

FHA and RD Flexibilities

We are extending the temporary requirements and flexibilities previously announced that were **effective for application received dates through May 17, 2020 to mortgages with application received dates through June 30, 2020 for the following:**

Communication	Topic
SEL-2020-022	<ul style="list-style-type: none"> Temporary Flexibilities for Employment Verifications and Appraisal Requirements for FHA Temporary Flexibilities for Employment Verifications and Appraisal Requirements for RD

VA Flexibilities

The temporary requirements and flexibilities previously announced will remain in effect until VA publishes a rescission date for the following:

Communication	Topic
SEL-2020-022	<ul style="list-style-type: none"> Temporary Flexibilities for Employment Verifications for VA Loans Temporary Flexibilities for Appraisals for VA
SEL-2020-032	<ul style="list-style-type: none"> Temporary Flexibilities for Appraisals for VA Updated and Future SAR Requirements

Note: Please refer to the communication listed above for complete details, and the COVID-19 Frequently Asked Questions (FAQ) document.

Guidance and Reminders

- **VA Appraisals:** All inspections including termite, well, septic etc. must still be completed as part of the NOV requirements per SEL-2020-022. U.S. Bank does not allow any waivers for these inspections.
- **Furloughs:** The COVID-19 pandemic has resulted in an increase in furloughed employees. A furlough is a suspension from active employment that does not typically guarantee restoration of an employee's position when the furlough period ends regardless of whether there is a projected "return to work" date. Therefore, until furloughed employees actually return to work and are able to provide evidence of a stable and reliable flow of employment-related income, they are ineligible for FHA, VA or Rural Development financing.
- **Unemployment compensation:** Unemployment benefits cannot be used to qualify a borrower in most instances. We recognize that many unemployed and furloughed individuals are eligible for unemployment benefits under the CARES Act; however, unemployment compensation is short-term in nature and is therefore not a reliable and predictable source of income for borrowers who are not established seasonal workers. Only borrowers who have a history of unemployment benefits associated with seasonal employment that is reported on the borrower's signed federal income tax returns can use unemployment benefits to qualify.

Rural Development Handbook Update

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
<input checked="" type="checkbox"/>	Corr. Non-Delegated
<input checked="" type="checkbox"/>	Corr. EZD
<input checked="" type="checkbox"/>	Corr. Mandatory
<input checked="" type="checkbox"/>	HFA Delegated
<input checked="" type="checkbox"/>	HFA Non-Delegated
Products	
<input checked="" type="checkbox"/>	Conv. (Freddie)
<input checked="" type="checkbox"/>	Conv. (Fannie)
<input checked="" type="checkbox"/>	Conv. (Portfolio)
<input checked="" type="checkbox"/>	FHA
<input checked="" type="checkbox"/>	VA
<input checked="" type="checkbox"/>	Rural Development

SBA Payroll Protection Loans

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
<input checked="" type="checkbox"/>	Corr. Non-Delegated
<input checked="" type="checkbox"/>	Corr. EZD
<input checked="" type="checkbox"/>	Corr. Mandatory
<input type="checkbox"/>	HFA Delegated
<input type="checkbox"/>	HFA Non-Delegated
Products	
<input type="checkbox"/>	Conv. (Freddie)
<input type="checkbox"/>	Conv. (Fannie)
<input checked="" type="checkbox"/>	Conv. (Portfolio)
<input type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

Rural Development (RD) has announced updates to Chapter 11 Ratio Analysis and Chapter 12 Property and Appraisal Requirements of the SFH Guaranteed Loan Program Technical Handbook HB-1-3555 per [Procedure Notice \(PN\) 536](#). Clarifications and additions are listed by paragraph in the PN. The updated versions of the chapters are located on RD [HB-1-3555 SFH Guaranteed Loan Program Technical Handbook](#)

U.S. Bank has accepted all changes apart from the following items:

New Correspondent and HFA Overlays:

- All Federal and State Tax repayment plans must be paid in full.
- Individual Water Systems including Rain Catchment Systems in Hawaii and Western Pacific Region will not be allowed.

Guide Update: 715.1.1 RD – Overlays, 715.7 RD – Credit/Debt Underwriting, 715.17 RD – Water Systems, Correspondent Overlay Matrix, HFA Overlay Matrix

We are issuing this clarification that when evaluating a self-employed borrower, the underwriter must consider the business's financial strength by analyzing the borrower's earnings and determine the stability of the net income used by the borrower to repay their mortgage.

Self-Employed Income and Debt Analysis: When analyzing the financial strength, the underwriter would need to account for business obligations which may have a negative impact to the net earnings of the business. When underwriting has knowledge that a business received a SBA Payroll Protection Loan (SBA-PPP), this needs to be accounted for during the analysis of the business's earnings. This obligation could have a negative impact to the net income of the business. Underwriting will account for this obligation during the analysis of the business's earnings by:

1. Reviewing the current P&L to determine if the new SBA-PPP Loan payment was accounted for.
2. Reduce the business net earnings if the obligation is not clearly accounted for in the P&L.
3. If documentation is provided that the SBA-PPP was forgiven, partially forgiven, returned or paid in full, this would need to be addressed in the income calculation and noted in the loan file.

Caution must be used when evaluating any income relied upon in determining the borrower(s) ability to repay. Underwriting is responsible for justifying that the income is stable, effective and likely to continue. Additional documentation maybe needed.

COVID-19 FAQ

We have updated the [COVID-19 Frequently Asked Questions \(FAQ\)](#) document with the most recent information including:

- Updated guidance as outlined within the most recent announcements

The FAQ is in our new Correspondent/HFA COVID-19 Resource Page within AllRegs. From the AllRegs home page, the FAQ is on the right hand side of the page in the 'Our Library Company Announcements' or under 'Our Library.'

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.