



# Seller Guide Update



SEL-2020-084: Multiple Topics

October 9, 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.



## VA Loan Changes and Clarifications

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
<input checked="" type="checkbox"/>	Corr. Non-Delegated
<input 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 type="checkbox"/>	FHA
<input checked="" type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

VA has recently announced the following change and clarification:

### Changes to Processing Site Condominiums Located in the State of Michigan

Effective immediately, Site Condominiums in the State of Michigan will be processed in the same manner as a single-family detached home. VA will no longer review legal documentation for Site Condominiums. Lenders will be responsible for ensuring that any Site Condominium proposed as collateral for a VA-guaranteed loan meets the requirements for the State of Michigan.

Program participants no longer need to obtain a VA condominium ID or submit condominium association documents into VA for approval of Site Condominiums in the State of Michigan. When program participants request an appraisal, they will still be required to identify the property as a condominium in item 3A of the WebLGY online appraisal request form 26-1805-1 but will not have to provide a Condominium ID number.

Staff Appraisal Reviewers (SAR's) and VA Staff Appraisers will no longer be required to condition NOV item #4 Condominium Requirements when the property is a condominium; however, they will need to clearly identify the case as a "Site Condominium" project on item #20 Other Conditions/Requirements on the NOV.

Appraisers are still required to use Fannie Mae forms 1073 for Site Condominiums and complete the Project Information Section of the condominium appraisal form.

The SAR will provide a write up on company letterhead in WebLGY that Site Condominium meets VA requirements as stated in VA Circular 26-20-35 in order to satisfy item #20 Other Conditions/Requirements on the NOV.

For all other states, there is no change to the current process and are subject to VA Condominium Approval and Processing as outlined in Chapter 16 of the Lenders Handbook.

**Reminder:** U.S. Bank and VA define a Site Condominium as a single family totally detached dwelling (no shared garages or any other attached buildings) encumbered by a declaration of condominium covenants or condominium form of ownership.

### Forbearance/ Seasoning

Periods of forbearance do not count toward seasoning for Interest Rate Reduction Refinance Loans (IRRRL) or Cash Out Refinance loans. The new loan may not close until the later of 210 days from the first payment due date of the loan being refinanced and the date which six consecutive monthly payments made on the loan.

**Guide Update:** 810.1 Project Approval Department - Introduction

## Update to Verification of Business Operation Requirements due to COVID-19

Underwriting/Delivery	
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<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.

### Self-employed Borrowers: Verification of the current existence of the business and business open and operating

When a borrower is using self-employment income to qualify, the underwriter must verify the existence of the borrower's business within 120 days prior to the note date.

In addition to the verification of existence, we must also confirm the borrower's business is currently open, operating and generating revenue within the time frames listed below for each loan type. Use of Secretary of State and Business Licenses are enough to confirm the existence of the business but not enough to confirm the business is operating or generation of income of the business.

Examples of verification of operation are:

- lender certification the business is open and operating (lender confirmed through a phone call or other means). Certification should include phone number and contact name;
- business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).
- evidence of current work (executed contracts, signed invoices or bank deposits that indicate the business is operating on the day the lender verifies self-employment);
- evidence of current business receipts dated within the required days of the note date (payment for services performed);

If reverification of operation of business and generation of income prior to note date cannot be obtained, the loan is no longer eligible for financing.

In addition to reverification information above, U.S. Bank will require an attestation from the borrower that the self-employed business is still operating and there has been no change to income from the information supplied at time of application.

### Agency:

U.S. Bank will align with Fannie Mae and Freddie Mac verification of operating requirements.

When a borrower is using self-employment income to qualify, the lender must verify the borrower's business is operating and generating income within 20 business days prior to the note date which follows the Agency's current COVID-19 guidelines.

### FHA

FHA announced in ML 2020-24, effective for case numbers assigned on or after August 12, 2020 through November 30, 2020:

When a borrower is using self-employment income to qualify, the lender must verify the borrower's business is operating and generating income within 10 calendar days prior to the note date.

### VA/USDA

VA and USDA do not have a published verification of operating requirement; however, U.S. Bank does require a verification of operating for all self-employed borrowers.

When a borrower is using self-employment income to qualify, the lender must verify the borrower's business is operating and generating income within 10 calendar days prior to the note date.

### Portfolio (Correspondent Only):

When a borrower is using self-employment income to qualify, the lender must verify the borrower's business is operating and generating income within 10 business days prior to the note date.

**Guide Updates:** Correspondent Overlay Matrix, HFA Overlay Matrix

**Additional Clarification: Requirements and Guidance Related to COVID-19 for Self Employed Borrowers**

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As a reminder and to provide additional clarity to **SEL-2020-074**, please note the items highlighted in red below.

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.

**Overlay Removal:** This update removed our previous overlay requirement for Freddie Mac and Fannie Mae as announced in SEL-2020-046 requiring an audited P&L or unaudited P&L with business bank statements to be dated no more than **60** calendar days (previously 30 calendar days) prior to the Note Date.

**Determining income stability with additional analysis and documentation:** U.S. Bank must comply with the following Agency requirements when assessing income derived from self-employment in order to determine if the Borrower's income is stable and there is a reasonable expectation of continuance. The Mortgage file must include a written analysis of the self-employed income amount and justification of the determination that the income used to qualify the Borrower is stable.

**Minimum additional documentation requirements**

At a minimum, the following additional documentation must be obtained when assessing income or a loss from self-employment. For all businesses in which a borrower owns 25% or more and whether or not income is being used to qualify, the following is required:

- An unaudited year-to-date (YTD) profit and loss statement that is signed by the Borrower and reports business revenue (i.e., gross receipts or sales), expenses and net income/loss. The information in the YTD profit and loss statement must cover the most recent month preceding the Application Received Date and be dated no more than 60 calendar days prior to the Note Date, **and**
- Two months business account statements no older than the latest two months represented on the YTD profit and loss statement
- For example, if the YTD profit and loss statement is through May 31, 2020, the business account statements can be no older than for April and May
- Personal asset account statements evidencing business deposits and expenses may be used when the Borrower is an owner of a small business and does not have a separate business account, **or**
- An **audited** (prepared by a licensed accountant) YTD profit and loss statement reporting business revenue (i.e., gross receipts or sales), expenses and net income. The information in the YTD profit and loss statement must cover the most recent month preceding the Application Received Date and be dated no more than 60 calendar days prior to Note Date.

**Documentation Requirements:**

- Portfolio: P&L and Balance Sheet is required for all businesses in which the borrower owns 25% or more dated within 60 days of note date. YTD is required. Additional P&Ls will be required for any tax years not filed. This documentation requirement cannot be waived, and no exception will be allowed.
- Conventional Agency:
  - Balance sheet is not required.
  - **When a borrower's primary source of income is W2 wages (non-self-employed) and the borrower or spouse has a secondary self-employed business in which income is not being used for qualifying, the additional documentation requirements are not needed.**

**Note:** U.S. Bank may need to obtain additional documentation to supplement the minimum required documentation in order to effectively assess the impact of the pandemic on the business.

**Guide Update:** COVID-19 Frequently Asked Questions

## Disaster Area Declarations

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## Correspondent Sample Loan Disclosure Updates

## Questions

The following counties have been declared as Presidential Disaster Area with Individual Assistance on the [FEMA Disaster Website](#) and re-inspection requirements detailed in our Correspondent Seller's and HFA Division Lending Guide must be met. In some cases, additional counties may have been added. Lenders are responsible for verifying procedures are in place to monitor new and/or updated declarations.

Declaration Date	State	County/Parish
September 24, 2020	FL	Bay Escambia, Okaloosa, Santa Rosa and Walton

**Guide Section:** 711.20 – Natural Disaster Procedures (VA), 712.20 – Natural Disaster Procedures (FHA), 713.21 – Natural Disaster Procedures (Conventional), 714.1.10 – Appraisal Procedures (Portfolio – Correspondent Only), 715.20: Natural Disaster Procedures (USDA)

We have made annual updates to our Sample Loan Disclosure documents located in our Correspondent Seller Guide. These updates include removing sample loan disclosures for programs no longer offered by U.S. Bank, as well as the reference to September 2020 pricing (rates and figures). Please note that these are sample disclosures only, lenders are responsible for providing upfront ARM disclosures which meet regulatory requirements.

**Guide Updates:** 1300: ARM Documents > Disclosures



**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.