



Seller Guide Update



SEL-2021-005: Multiple Topics

February 12, 2021

- 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.



Age of Tax Return Requirements and Guidance

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

Effective Date: Immediately and based on the application dates and Note dates as shown in the chart below.

U.S. Bank is revising underwriting guidelines to align with the recently announced Freddie Mac updates impacting the following:

- Age of tax return date and documentation requirements
- Self-employed income guidance when tax returns from the most recent calendar year are not yet available

Age of tax return requirements

U.S. Bank is required to obtain the most recent federal income tax return(s) filed with the Internal Revenue Service (IRS) for certain types of income and/or employment characteristics if using the income to qualify the borrower. To help ensure that the most recently filed tax returns are obtained and analyzed when determining Borrower's stable monthly income, we are updating our underwriting guidelines with the most recent dates and requirements.

The most recent federal income tax return is the last tax return, individual and/or business, that was filed with the IRS by the Borrower and, if applicable, the borrower's business.

U.S. Bank will follow the AUS findings for tax return documentation. At time of underwriting, the previous year tax returns are required after April 15th of the current year unless an extension has been filed with the IRS. After May 31, 2021, all loans in process (underwriting or closing) must have the previous year tax return or extension filed with the IRS. A copy of that extension must be documented in the file.

In the foregoing and as provided in AUS findings, the "most recent year's" tax return is defined as the last return scheduled to have been filed with the IRS by the borrower and, if applicable, the borrower's business.

Application Received Date:	Note Date:	Age of Tax Returns and Other Documentation
Before: April 15, 2021	Before: May 31, 2021	<ul style="list-style-type: none"> • Most recent federal income tax return(s) filed with the IRS • The most recent tax return(s) must be no older than 2019, or 2019 and 2018
On or after: April 15, 2021	Before: May 31, 2021	<p>If the Borrower has filed 2020 tax return(s) with the IRS:</p> <ul style="list-style-type: none"> • 2020, or 2020 and 2019, federal income tax return(s), as applicable <p>If the Borrower has not filed 2020 tax return(s) with the IRS:</p> <ul style="list-style-type: none"> • Evidence of completed IRS tax filing extension(s) for the 2020 tax year (e.g., if using IRS tax extension forms to evidence tax filing extension, include IRS Form(s) 4868 and/or 7004, as applicable); • IRS confirmation verifying transcripts are not yet available for the 2020 tax year; and • 2019, or 2019 and 2018, federal income tax returns, as applicable.
All	On or after: May 31, 2021 Before: November 1, 2021	<ul style="list-style-type: none"> • 2019, or 2019 and 2018, federal income tax returns, as applicable.
All	On or after: November 1, 2021	<ul style="list-style-type: none"> • 2020, or 2020 and 2019, federal income tax returns, as applicable. Use of a tax filing extension for the 2020 tax year is not permitted.

If AUS requires only one year tax returns, the most recent tax returns are required. Government loans requires two years tax returns.

*** Regardless of AUS response, underwriting may ask for P&L or other tax returns.

Age of tax return requirements continued

Self-Employed Income Stability when Tax Returns are Older – Guidance

U.S. Bank is required to determine stable monthly income with a reasonable expectation of continuance.

If the borrower's federal individual and/or business income tax returns for the most recent calendar year, or fiscal year as applicable, are not available, examples of factors and documentation to consider when using older tax returns to determine continued income stability include, but are not limited to, the following:

- Business review and analysis of current business activity through a review of the most recent financial statement(s) (e.g. Audited P&L) that cover the period since the last tax return filing(s)
- Business review and analysis of current business activity through a review of at least the most recent three months of business bank statements
- Signed IRS Form 941, *Employer's Quarterly Federal Tax Return*, for the prior calendar year and current calendar year quarter(s) that supports wages and other compensation documented on the most recent business tax return
- Review of tax liability reported with IRS tax filing extension(s) (e.g., IRS Form 4868, IRS Form 7004) to determine consistency with tax liability reported on prior year(s) tax return(s)
- Review of W-2s, 1099s and/or K-1s from the most recent calendar year, if available

If the continued stability of the income cannot be determined, then the borrower's federal individual and/or business income tax returns from the most recent calendar year may need to be obtained to make the determination.

Note: *The information above is guidance only; it does not contain new requirements. The existing requirement to determine income stability has not changed. The expanded guidance consists of potential steps that may be helpful to ensure continued income stability when the tax returns are older.*

This guidance does not replace the COVID-19 temporary requirements in SEL-2020-095; the requirements and guidance in SEL-2020-095 remain in effect until further notice.

Guide Update: 713.7 Agency – Effective Income

Hazard Insurance Maximum Deductible Updates

Underwriting/Delivery	
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Products	
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<input checked="" type="checkbox"/>	Conv. (Fannie)
<input type="checkbox"/>	Conv. (Portfolio)
<input type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

U.S. Bank requires proof of protection against loss or damage from fire and other hazards covered by an extended coverage endorsement along with proof of payment for the first year's premium as outlined in Section 900 of our Correspondent Seller and HFA Lending Guides.

Effective with Correspondent locks and new HFA loan reservations as of March 1, 2021, in alignment of agency requirements, U.S. Bank is updating our maximum deductible on Conventional loans as follows:

- **Conventional Loans** – Deductible does NOT exceed 5% of the face amount of the policy.

The maximum deductible for the following remains unchanged:

- **FHA & VA Loans** – Deductible does NOT exceed the greater of \$2,500 or 2.5% of the face amount of the policy.
- **USDA** – Deductible does NOT exceed the greater of \$1,000 or 1% of the face amount of the policy unless state law requirements differ.

Guide Updates: 900: Delivery and Funding > C. Funding Documentation Requirements will be updated closer to the effective date outlined above.

Agency Extension of Temporary Flexibilities Related to COVID-19

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
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HFA Overlay Matrix

Underwriting/Delivery	
<input type="checkbox"/>	Corr. Delegated
<input type="checkbox"/>	Corr. Non-Delegated
<input type="checkbox"/>	Corr. EZD
<input type="checkbox"/>	Corr. Mandatory
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HFA Reminder: Fannie Mae Homeownership Education Requirements

Underwriting/Delivery	
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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: We are extending the temporary flexibilities that were **effective for Application Received Dates through February 28, 2021 to Mortgages with Application Received Dates through March 31, 2021** for the following:

Communication	Topic
SEL-2020-021	<ul style="list-style-type: none"> Correspondent: Temporary Flexibilities for Appraisals HFA: Temporary Flexibilities for Appraisals Temporary Flexibilities for Employment Verifications
SEL-2020-027	<ul style="list-style-type: none"> Temporary Credit Underwriting Requirements for Agency Loans Temporary Flexibilities for Agency Appraisals on New Construction Properties
SEL-2020-029	<ul style="list-style-type: none"> Clarification: Temp. Credit Underwriting Requirements for Agency Loans – Investment Properties

We have updated the HFA Overlay Matrix to clarify current policy as follows:

- Manufactured Housing** – clarified/added U.S. Bank Home Mortgage will not make or purchase loans that are single-wide manufactured homes for Fannie Mae, FHA, USDA and VA.

Guide Update: HFA Overlay Matrix

As a reminder, homeownership education and counseling must meet the following requirements for HFA loans delivered to Fannie Mae on or after January 1, 2021:

Homeownership education and housing counseling must comply with the Selling Guide Part B2-2-06, Homeownership Education and Housing Counseling, unless the borrower participates in education and/or counseling that the Participating Member determines to be appropriate in format and scope for the borrower pursuant to a policy established by the Participating Member, provided:

- The Participating HFA Member may be the direct provider of the education and/or counseling even if the Participating Member is also the Lender or property seller.
- If the Participating HFA Member is not the direct provider of the education and/or counseling, the homeownership education course or counseling must meet the standards for Homeownership Education and Counseling set by HUD or the National Industry standards for Homeownership Education and Counseling. Lenders must retain a copy of the certificate of course or counseling completion in the loan file.

Regardless of the date the Loan is delivered, landlord education is also required for purchase money Loans secured by 2- to 4-unit properties that exceed the LTV required by the Selling Guide Eligibility Matrix.

Reminder: Servicing Transfer Notice Contact Information

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
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U.S. Bank has recently received calls from new borrowers who have been provided the Correspondent Lending Client Support toll-free number as a part of the Servicing Transfer Notice process which leads to a less than favorable borrower experience. By confirming your organization has the appropriate information on the Servicing Transfer Notice as outlined below, we can collectively minimize these instances and improve the overall borrower experience to assist in providing the accurate borrower resources.

As a reminder, the Servicing Transfer Notice must provide the borrower(s) with an address to send payments to, the name of the new servicer, a mailing address of the new servicer, and toll-free phone number for support that can answer questions from the borrower on the servicing transfer.

Lenders must use the following for the mailing address and phone number for U.S. Bank on the Notice:

U.S. Bank National Association
Attn: Customer Service
4801 Frederica Street
Owensboro, KY 42301
Phone: 800-365-7772

Lenders must use the following address for payments to be sent on the Notice:

U.S. Bank National Association
P.O. Box 790415
St. Louis, MO 63179-0415

If a borrower sends mortgage payments to the lender after U.S. Bank purchases the loan, the lender should forward the mortgage payment overnight to:

U.S. Bank Home Mortgage
Attn: Payment Processing
4801 Frederica St
Owensboro, KY 42301

Guide Section: 900: Delivery and Funding > C. Funding Documentation Requirements

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** - Friday, February 19, 2021, will be the last day to purchase FHA/VA ARM loans with a April 1, 2026, change date.
- **Loans Purchased and Change Date Requirements** - Loans purchased after February 19, 2021, must have an July 1, 2026, change date.

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

All loans with prior-to-funding conditions must be cleared on or before Wednesday, February 17, 2021.

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

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.