



Seller Guide Update



SEL-2020-006: Multiple Topics

January 31, 2020

- Correspondent Lending
- Housing Finance Agency (HFA)

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The following topics are included in this update:

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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 otherwise 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.



Government Loan 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 checked="" type="checkbox"/> | FHA |
| <input checked="" type="checkbox"/> | VA |
| <input checked="" type="checkbox"/> | Rural Development |

U.S. Bank is issuing the following clarifications for Government Loans effective immediately:

FHA Water and Sewer Systems

FHA requires connection to water and sewer systems whenever feasible and available at reasonable costs. U.S. Bank Home Mortgage defines feasible and reasonable as 2% of the Sales Price or Appraised Value.

FHA, VA and RD Illinois Land Trust

Legal and complex title requirements prohibit U.S. Bank Home Mortgage from originating or purchasing any Government loans in IL Land Trusts.

VA Funding Fee

VA funding fee payment can be split. It can be partially paid by the buyer, seller, partially financed, or partially paid in cash.

VA Assisted Appraisal Processing Program

As announced in VA Circular 26-19-31, U.S. Bank will follow the Assisted Appraisal Processing Program (AAPP) when allowed by VA.

Per VA, AAPP cannot be used in the following situations:

- Complex Properties
- Sales price is over \$1M
- New Construction
- When a legal written agreement (as defined by VA) for appraisal assistance between the parties does not exist.

Guide Update: 711.17 FHA – Shared Roads, Wells and Septic Systems, 711.3 FHA – Eligible Borrowers, 712.5 VA – Eligible Borrowers, 715.3 RD – Eligible Borrowers

Reminder: Geographic Market Restrictions

| 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 checked="" type="checkbox"/> | Conv. (Freddie) |
| <input checked="" type="checkbox"/> | Conv. (Fannie) |
| <input checked="" type="checkbox"/> | Conv. (Portfolio) |
| <input checked="" type="checkbox"/> | FHA |
| <input type="checkbox"/> | VA |
| <input type="checkbox"/> | Rural Development |

As published in SEL-2020-002 on January 16, 2020, as part of our on-going monitoring of market trends, **effective with loans locked on and after January 31, 2020**, the state of **Utah** has been identified as experiencing sustained home price appreciation above historical norms. To mitigate the increased risk associated with sustained above trend price appreciation, **second mortgages in this state will be capped with a TLTV of 80%**

First Mortgage Portfolio products are not impacted by this change due to the requirement of MI on these products when the LTV is >80%.

Guide Section: The following product guides will be updated on the effective date:

- 3104 USBHM Fixed Rate Second (15-Year Amortization)
- 3105 USBHM Fixed Rate Second (30-Year Amortization)
- 3141 USBHM Conventional One-Year ARM

Portfolio Second Home Clarification

| 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 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 |

U.S. Bank is clarifying the guidelines specific to second homes and voluntary management agreements as follows effective immediately:

Second Home Definition – Second Home is defined as:

- single family real property which is occupied by the borrower on at least a partial year basis.
- available exclusively for the use and enjoyment of the owner(s).
- in a location beyond a reasonable distance to be considered a second home in terms of distance and time of travel from the primary residence of the owner(s).
- not subject to any agreement which requires the owner(s) to rent or assign management control of the dwelling with the exception noted in the Voluntary Rental Agreement section below.
- if a borrower has more than one (1) Second Home/Vacation property the homes must not be within 50 miles of one another.
- Any property that is a 2nd home where there is a voluntary rental agreement with a management company to rent on a daily or weekly basis:
 - can still be classified as a second home.
 - if the property is rented out for more than 3 continuous months (no more than 6 months for a Total Year) will be classified as an investment property and investment property guidelines will apply.
 - rental income will not be used to qualify Borrowers.
 - for attached projects (condominiums, townhomes, 2 Units), LTVs **for these properties must be reduced by 5%** and Borrowers must have an **additional 6 months reserves** in addition to product guideline requirements.

Voluntary Rental Agreements – Voluntary rental agreements must meet the following:

- The agreement may not contain any exclusions which prohibits the owner to occupy the property.
- The agreement should have a cancellation provision of no more than 30 (thirty) days.
- The agreement may not have any penalties assessed for cancellation by the owner. Note: Commitment to rental agreements negotiated prior to the cancellation of the voluntary agreement are not considered a penalty.

Guide Updates: 714.1.9 Portfolio – Property

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.