



Seller Guide Update



SEL-2020-048: Multiple Topics

June 12, 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 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.



Temporary Government Eligibility Requirements for Borrowers with Mortgages under CARES Act COVID-19 Forbearance Status

| 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 |

Effective Date:

FHA Forbearance After Closing: For Endorsements submitted on or after June 15, 2020.

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.

FHA has published [ML 2020-16](#), announcing that they will accept for insurance mortgages with borrowers who request forbearance following closing and prior to endorsement.

FHA - Forbearance After Closing:

For FHA loans where the borrower requested forbearance after closing and prior to endorsement, FHA will require a 2-Year Partial Indemnification Agreement for the loan to be eligible for insurance. FHA will require lenders to execute a special COVID-19 two-year indemnification agreement. Under the terms of this special indemnification agreement, the lender will be obligated for losses in cases where the borrower fails to make at least 2 payments over the course of the first two years (2 years from endorsement).

FHA 2-Year Indemnification Agreement:

U.S. Bank's Servicing Department will honor a COVID-19 forbearance request from a borrower when received even if the loan has not yet been endorsed for FHA insurance. The faster that the lender can get the loan endorsed after closing reduces the likelihood of the FHA 2-Year Partial Indemnification Agreement being required.

U.S. Bank requires that all government loans purchased are eligible for FHA insurance.

- U.S. Bank will not purchase or originate any loan that is currently in deferment or forbearance of their mortgage payment.
- Loans purchased by U.S. Bank that are uninsurable are subject to repurchase by the lender.
- Loans that require the 2-Year Partial Indemnification Agreement indemnification are also subject to repurchase if the lender does not enter into the indemnification agreement with FHA and the loan is not subsequently insured.

Note: FHA and other Government Agencies (VA, RD) have not yet provided updated guidance on how to handle borrowers who have an existing loan in a COVID-19 related forbearance and who are applying for a refinance or purchase loan, like the Conventional Agencies have done (Fannie and Freddie).

Therefore, until further guidance, Lenders must follow the existing government rules based on mortgage payment history requirements and treat loans in forbearance as delinquent loans if any payment was forborne. Underwriters must determine if the borrower is in forbearance and current on their all existing mortgages and meet all government payment history requirements before final approving the new loan.

Portfolio - Requirement Updates

| 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 |

Effective Date: Effective with all Applications taken on or after June 15, 2020.

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 Corporate guidance.

Extension of Temporary Changes from Previous Seller Guide Updates: We are extending all Portfolio COVID-19 temporary requirements and flexibilities until further notice:

| Seller Guide | Topic |
|--------------|----------------------------------------------------------------------------------------------|
| SEL-2020-021 | • Temporary Flexibilities for Verbal Verification of Employment for Portfolio |
| SEL-2020-023 | • Clarification: Temporary Flexibilities for Verbal Verification of Employment for Portfolio |
| SEL-2020-025 | • Temporary CLTV/HTLTV Restrictions When Using U.S. Bank 2nd Mortgage Products |
| SEL-2020-030 | • Portfolio Credit and Product Guideline Changes |
| SEL-2020-033 | • Agency and Portfolio Conv. Cash Out Credit and Product Guideline Changes |
| SEL-2020-036 | • Additional Underwriting Requirements |
| SEL-2020-038 | • Requirements and Guidance Related to COVID-19 |
| SEL-2020-046 | • Requirements and Guidance Related to COVID-19 for Self Employed Borrowers |

Reminder: Correspondent Government Overlays

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

As a reminder, and as published in **SEL-2020-024**, U.S. Bank implemented new Correspondent Overlays for government products (FHA, VA and USDA) including the following items as of **April 3, 2020**:

| | Topic | Overlay Description |
|--------------------------------------|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Government (FHA, VA and USDA) | Minimum FICO | • Minimum FICO requirement to 680. |
| | Debt-to-Income | • Maximum DTI of 50%. |
| | Underwriting | • Manual underwriting only allowed on FHA streamline refinances and on VA IRRRL transactions. |
| | Transaction Type | • FHA streamline refinance and VA IRRRL transactions only available if U.S. Bank is the current servicer. |
| | Funds for Closing | • Minimum FICO score of 700 with a maximum DTI of 43% when any funds used for closing costs or down-payment are not borrower's own funds or gift funds. This restriction applies when utilizing Down Payment assistance (DPA) or Closing Cost assistance grants, loans or other similar programs. Note that Seller and Borrower paid closing costs, lender credits, and gift funds are not included in this restriction. |

Refer to the **Correspondent Overlay Matrix** for complete details.

COVID-19 FAQ

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

- General clarifications for ease of review and references to lender communications
- 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.