



Seller Guide Update



SEL-2020-069: FHA Temp. Guidance Self-Employed/Rental Income, FHA 203(k), Gov. ARM Change Dates August 14, 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.



FHA Temporary Guidance Self-Employment and Rental Income

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

FHA 203(k) Rehab Program

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 type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

End of Cycle Coming Soon - Government ARM Change Dates

Effective Date: FHA case numbers assigned on or after August 12, 2020.

FHA recently issued [Mortgagee Letter 2020-24](#), providing temporary COVID 19 guidance for Verification of self-employed borrowers and Rental Income.

Verification of Self-Employment

When a borrower is using self-employment to qualify FHA requires the lender to verify and document that the income from self-employment is stable and reasonable expectation that it will continue. The documentation for verification is the same as Fannie and Freddie, previously announced in **SEL-2020-036**. U.S. Bank implemented those requirements for Agency and Government loans as referenced in that communication; there is no change.

Rental Income

Borrowers utilizing rental income for qualification must now have the net rental income reduced by 25% for each property generating rental income.

For loans underwritten by U.S. Bank, the alternative options noted in the mortgagee letter will not be allowed; there will be no exceptions to the income reduction requirement.

Guide Updates: Correspondent Overlay Matrix, HFA Overlay Matrix

HUD recently issued [Mortgagee Letter 2020-24](#), announcing temporary guidance for 203(k) Rehabilitation Escrow Accounts. The 203(k) escrow administration guidance applies solely to the 203(k) Rehabilitation Program.

U.S. Bank will not allow any temporary flexibility allowed by FHA to continue administering the Rehabilitation Escrow Account, including the approval of extension requests and release of funds, which will allow the project to continue for mortgages where the Borrower is in forbearance due to the impacts of COVID-19.

Guide Updates: Correspondent Overlay Matrix, HFA Overlay Matrix

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, August 21, 2020, will be the last day to purchase FHA/VA ARM loans with an October 1, 2025, change date.
- **Loans Purchased and Change Date Requirements** - Loans purchased after August 21, 2020, must have a January 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, August 19, 2020.

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.