



Seller Guide Update



SEL-2020-074: Multiple Topics

August 28, 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.



FHA Condominium Project Guidelines

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

We are updating our product guidelines to show the LTV requirements for DE Lenders utilizing the FHA single unit approval review. FHA product guidelines will be updated to reflect these changes on August 31, 2020.

Eligible Properties

- Manufactured Housing not allowed
- 1-4 unit Owner occupied
- PUD unit
 - New Construction or Existing Property - May be new construction OR existing. Any property that is appraised as “proposed” or “subject to completion” or any property that is less than 12 months old regardless of occupancy must have new construction documentation.
- Condominium Units
 - Delegated Lenders utilizing their own direct endorsement (DE) authority may complete their own Project Review without submitting the project for review to U.S. Bank Project Approval Department (PAD).
 - Any DE Lender may use the new Single Unit Approval review as U.S. Bank will not be required to indemnify the loan. Any loan utilizing the Single Unit Approval will have a maximum LTV of 90% LTV (including MIP) due to the default risk.
 - For loans underwritten by U.S. Bank, See Section 812 FHA Condominium Guidelines for Condominium Project Eligibility requirements.

Purchase/Rate and Term Refinance/Streamline Refinance

A new footnote will also be added as follows:

- Any condominium loan utilizing the Single Unit Approval will have a maximum LTV of 90% (including MIP) due to the default risk.

Guide Update: Product Guidelines (FHA Fixed and ARM (1001, 1002, 1004, 1105, 1024, 1025), Section 815.06: Specific Guidelines for Delegated Sellers, Correspondent Overlay Matrix, HFA Overlay Matrix

Disaster Area Declarations

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

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
August 20, 2020	IA	Linn
August 24, 2020	CA	Lake, Monterey, Napa, San Mateo, Santa Cruz, Solano, Sonoma and Yolo

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)

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

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

In SEL-2020-071 published on August 21st, we announced updates to the Requirements and Guidance Related to COVID-19 for Self-Employed Borrowers. We are clarifying that communication as outlined below regarding the overlay removal, applicability to portfolio loans, and realigning the bullets for minimum additional documentation requirements.

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 removes 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 from self-employment:

- 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. 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** 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.

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.

Business Assets

- No business assets will be allowed for down payment, closing costs or reserves, regardless of impact to business.
- P&L and Balance Sheet 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.

Guide Updates: Correspondent Overlay Matrix, HFA Overlay Matrix

Clarification: Correspondent Portfolio Product Guideline Updates

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Income Analysis Worksheet Updates – Overlay Matrices Updated

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In **SEL-2020-071** issued on August 21, 2020, we announced Correspondent Portfolio product guideline updates. Please note that the FICO changes for our Portfolio products will apply to loans with an LTV or TLTV >80%. The previous announcement only indicated LTV. These updates are effective with new locks on or after August 31, 2020.

- Minimum FICO for loans >80% LTV/TLTV will increase from 710 to 730

Guide Updates: 3307 USBHM ELITE 3/1 ARM, 3045 USBHM ELITE 5/1 ARM, 3309 USBHM ELITE 7/1 ARM, 3317 USBHM ELITE 10/1 ARM, 3320 USBHM Investor Paid MI 85% ARM, 3319 USBHM Investor Paid MI 90% ARM, 3776 USBHM 30 year Fixed, 3784 USBHM 20 year Fixed, 3777 USBHM 15 year Fixed, 3783 USBHM Investor Paid MI 85% Fixed, 3782 USBHM Investor Paid MI 90% Fixed

In SEL-2020-071, we announced the following changes to the Income Analysis Worksheet. Please note that we have updated the Correspondent and HFA Overlay Matrices with these updates.

Rental Not Filed

Both Fannie Mae and Freddie Mac now have guideline requirements allowing for Rental – Not Filed income. U.S. Bank Home Mortgage will follow Agency guidelines when considering this income and remove any applicable overlays. This tab has been updated to note that Freddie Mac only allows this income to be considered on a purchase transaction.

Other Income Borrower/Co-Borrower

- Non-taxable income on VA loans is allowed to be grossed-up up to 25%. These tabs have been updated to remove the U.S. Bank overlay of the 15% gross-up calculation and will allow the VA 25% gross-up calculation. Non-taxable income on VA loans will now be grossed-up at the borrower's tax rate or 25%.
- These tabs have also been updated to reflect the taxable income lines applicable to a 1040-SR.

Income Worksheet Manual

An additional section has been added for Non-Taxable Income. This section provides additional detail on types of non-taxable income for determining whether the income should be grossed up.

Guide Update: Correspondent Overlay Matrix, HFA Overlay Matrix, 712.1.1 VA- Overlays, 712.6 VA- Effective Income, 713.1.1 Agency- Overlays, 713.7 Agency- Effective Income, Income Analysis Worksheet, Income Analysis Manual.

Agency Extension of Temporary Flexibilities Related to COVID-19

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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 requirements and flexibilities previously announced that were effective for application received dates through August 31, 2020 to mortgages with application received dates through September 30, 2020 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

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.