



Seller Guide Update



SEL-2020-081: Multiple Topics

September 25, 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.



Mortgage Loan Payments

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 checked="" type="checkbox"/>	HFA Delegated
<input checked="" 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 checked="" type="checkbox"/>	VA
<input checked="" type="checkbox"/>	Rural Development

As a point of clarification, we are updating our Correspondent Seller and HFA Lending Guides to reflect the following information specific to mortgage loan payments.

Payments Received by Lender	<p>This address is to be used by lenders only if a payment is received by the lender after U.S. Bank has purchased the loan. Payments received should be sent using overnight delivery.</p> <p>U.S. Bank Home Mortgage Attn. Payment Processing 4801 Frederica St Owensboro, KY 42301</p>
Payments from Customers	<p>This address must be used as the payment address for the First Payment Notices and Notice of Servicing Transfer. It may also be provided to customers as the location to send their payments to U.S. Bank directly.</p> <p>U.S. Bank National Association P.O. Box 790415 St. Louis, MO 63179-0415</p>

Guide Updates: Correspondent Key Addresses and Reference Information, Correspondent - 900: C. Funding Documentation Requirements, HFA – 900: C. Funding Documentation Requirements, Correspondent - 900: L. Funding, and HFA – 900: L. Funding

Disaster Area Declarations

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 checked="" type="checkbox"/>	HFA Delegated
<input checked="" 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 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/Parish
September 15, 2020	OR	Clackamas, Douglas, Jackson, Klamath, Lane, Lincoln, Linn and Marion
September 20, 2020	AL	Baldwin, Escambia, and Mobile

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)

Trust Income

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 checked="" type="checkbox"/>	Conv. (Freddie)
<input checked="" 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 loans locked on or after October 1, 2020

U.S. Bank is expanding our existing trust income guidelines to include a requirement of a 12-month history of receipt/distribution of trust income before allowing for qualification.

Minimum additional documentation requirements

Income from trusts may be used with a minimum twelve (12) months history of trust income distribution to borrower, and if consistent payments will continue for at least the first three (3) years of the loan term as evidenced by trust income documentation.

Required trust income documentation includes a copy of the Trust Agreement or other trustee statement, confirming the:

- Amount of the trust;
- 12 month history of trust income distribution,
- Frequency of distribution; and
- Duration of payments.

Trust account funds may be used for the required cash investment if the borrower provides adequate documentation that the withdrawal of funds will not negatively affect income. The borrower may use funds from the trust account for the required cash investment, but the trust income used to determine repayment ability could not be affected negatively by its use.

Guide Section: 713.1.1 Agency – Overlays, 713.7 Agency – Effective Income, 714.2.2.3 Portfolio – Non-Employment Related Borrower Income; Correspondent Overlay Matrix

Conventional Agency Loan Changes

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 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

Fannie Mae and Freddie Mac have recently announced the following changes:

Freddie - Social Security income that is tax exempt

Freddie Mac will allow Sellers to gross up 15% of the Borrower's Social Security income (i.e., retirement income, disability benefits, survivor benefits and Supplemental Security Income) without documentation validating that the portion of the Social Security income is tax exempt. **U.S. Bank will have a credit overlay and not allow gross up without documentation.**

U.S. Bank will continue to follow Fannie Mae policy and only allow Social Security income to be grossed up to 25% with documentation validating the portion of Social Security income that is tax exempt.

Freddie – Wedding/Commitment Ceremony gift funds

Freddie Mac is extending their allowable time frame for gift funds received as a wedding or commitment ceremony gift as an eligible source of funds for a Primary Residence if the gift funds were deposited in the Borrower's depository account within **90** days.

Property with a Manufactured Home accessory unit

Freddie Mac and Fannie Mae recently announced that they will allow a manufactured home to be eligible as an accessory dwelling unit.

U.S. Bank will continue the current policy regarding accessory dwelling units and not allow properties with a manufactured home as an accessory dwelling to be eligible property. For this guideline, Manufactured Homes will be defined as a home built to Manufactured Home Construction and Safety Standards (HUD) as evidenced by an affixed certified label if built after June 15, 1976.

Guide Updates: 713.1.1 Agency – Overlays, 713.7 Agency – Effective Income, 713.17 Agency – Eligible

FHA Simple Refinance Loans Eligible

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
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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

Impact of CARES Act Forbearance on VA Purchase and Refinance Transactions

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

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

Questions

As historic refinance volume continues, we are adding a section to our FHA product guidelines clarifying that FHA Simple Refinance loans are eligible for purchase.

The following product guidelines will be updated in AllRegs targeted for 09/25/20:	
<ul style="list-style-type: none"> 1001 FHA 30 Year Fixed 1002 FHA 15 Year Fixed 1004 FHA Buydown 1105 FHA Jumbo 30 Yr Fixed 	<ul style="list-style-type: none"> 1024 FHA 5/1 ARM 1025 FHA Jumbo 5/1 ARM

In [VA Circular 26-20-25 Change 1](#) issued on September 15, 2020, the VA clarified that periods of forbearance under the CARES Act cannot count toward loan seasoning requirements for both Interest Rate Reduction Refinancing Loans (IRRRLs) and cash-out refinancing loans.

Therefore, VA Circular 26-20-25 was changed as follows:

Lenders are reminded that all IRRRLs and cash-out refinance must meet loan seasoning, fee recoupment, discount points, and net tangible benefit requirements, as applicable, prescribed by 38 U.S.C. § 3709, 38 CFR § 36.4306, and VA policy guidance.

Rescission: This Circular is rescinded July 1, 2021.

The **HFA Overlay Matrix** has been updated to clarify existing policy as follows:

- Gross Up Rate - 713.7:** U.S. Bank will not allow gross up without documentation. U.S. Bank will continue to follow Fannie Mae policy and only allow Social Security income to use a gross-up factor of 25%.
- Property with a Manufactured Home accessory unit 713.17:** U.S. Bank will not allow properties with a manufactured homes as an accessory dwelling to be eligible property for Fannie Mae and Freddie Mac.
- Self-Employed Borrowers for all loan types (COVID-19 Related Overlay):** Lender must confirm verification of business within 10 business days that the borrower's business is open and operating.



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.