



Seller Guide Update



SEL-2020-095: Multiple Topics

December 4, 2020

- Correspondent Lending
- Housing Finance Agency (HFA)

Table of Contents

The following topics are included in this update:

Requirements and Guidance Related to COVID-19 for Self Employed Borrowers	2
Conventional Condominium Changes.....	3
Address Change: HFA Final Documents.....	4
Questions.....	4

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.



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
<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

In **SEL-2020-093**, we communicated the following update. Please note that we have included additional clarification information as highlighted in **orange** below.

Effective Date: Effective with locks on or after December 1, 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 investor guidance. Please read through this update in its entirety as multiple items have been updated since this topic was last addressed. For ease of finding these changes, the updated guidance is notated in **green** below.

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 determination that 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:

Option 1: U.S. Bank is required to determine if the business revenue documented in the unaudited YTD profit and loss statement supports the level of revenue documented on the business account statements.

- 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
- **Three** months business account statements no older than the latest three months represented on the YTD profit and loss statement
 - For example, if the YTD profit and loss statement is through **October 31, 2020**, the business account statements can be no older than **Aug, Sept and Oct**.
 - 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...

Option 2:

- 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 the 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.

If the borrower is using any source of Self-Employed income (indicated by 25% or more ownership interest) the minimum documentation requirement applies to **all** Self-Employed businesses with 25% or more ownership, regardless if an income source is relied upon for income qualification or not.

Reminders:

- For Portfolio only, a YTD Balance Sheet dated within 60 days of note date 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.
- For Agency only, when using a borrowers W2 (non-Self Employed) income and the borrower or spouse has a secondary (e.g. in home sales) Self-Employed business, when no income and/or loss from this business is being used for loan qualification, this business can be disregarded and no additional documentation is required.
- For Portfolio only, when using a borrowers W2 (non-Self Employed) income and the borrower or spouse has a secondary (e.g. in home sales) Self-Employed business, when no income from this business is being used for loan qualification, this business can be disregarded and no additional documentation is required. If the Self-Employed business has experienced a loss, the loss must be deducted for loan qualification and the additional documentation is required.

Guide Update: COVID-19 Frequently Asked Questions

Conventional Condominium Changes

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

Effective Date: For applications taken on or after December 7, 2020. Please note these changes apply to ALL projects currently approved and those approved in the future.

Fannie Mae released [SEL-2020-06](#) and Freddie Mac released [2020-43](#) announcing changes to:

- Condominium Hotels
- Litigation
- Mandatory Memberships / Recreation Leases

Litigation: Fannie Mae clarified that projects subject to Pre-Litigation activities such as Arbitration and mediation, are subject to the same requirements as projects with active litigation. This has been their position but is now formalized in the Selling Guide.

Mandatory Memberships and/or Recreation Leases

Loans securing units in a condo and co-op project with mandatory memberships that require the HOA or Co-op members to pay dues to a third-party organization are ineligible for sale to Fannie Mae. The project must be the sole owner of its amenities, though certain exceptions will be allowed when there is a shared amenities agreement between HOA's or co-op projects

Projects subject to recreational leases are ineligible. A recreational lease (rec lease) is a long-term lease between the HOA and a third party for access to certain recreation facilities for a specified time period and payment.

Condominium Hotels

Fannie Mae and Freddie Mac both identify Hotel Condominium Projects as ineligible projects, even though the units are individually owned. The two agencies have moved closer in their definitions of a condo hotel. The changes are more significant for Fannie Mae as they have expanded the characteristics that render a project as a condo hotel and thus ineligible.

As these changes may result in fewer agency eligible projects, we have shortened the approval window on existing approved projects that are located in states with concentrations of condo hotel and resort type projects. These projects will expire on November 30, 2020 and will require new submissions, Full or Streamlined/Limited, to be reconsidered.

Streamlined/Limited & Fannie FHA Reciprocal Review

With the recent changes made by Fannie Mae and Freddie Mac, PAD will no longer accept the Condominium Appraisal as the sole option for the review process to determine project acceptability. The Condominium Questionnaire will be required on each Streamlined/Limited Review and Fannie FHA Reciprocal Review submission submitted to PAD.

Portfolio Guidelines

As a reminder, condominium projects for portfolio are reviewed by PAD according to Fannie Mae or Freddie Mac project guidelines. The changes outlined above will be applicable to Portfolio Guidelines. Note: For Portfolio loans, 2-4 Unit projects require a minimum of a Streamlined / Limited Review.

Revised Submission Sheets

To implement the changes noted above and improve efficiency, PAD is updating several related project submission forms. All forms are interactive PDF for ease of use.

- Streamlined Limited Review Submission Sheet
- Full Review Submission Sheet
- Fannie Mae FHA Reciprocal Submission Sheet
- Freddie Mac Reciprocal Submission Sheet

Revised PAD Questionnaires: We have combined all Conventional Condominium Questionnaires into one document and have retired all previous versions. The policy changes above require additional information regardless of the review type and this change will save time and borrower expense, especially in cases where a Streamlined Limited Reviews must be converted to a Full Project review. All forms are interactive PDF for ease of use.

- Condominium Questionnaire
- Insurance Questionnaire – New form as an optional supplement to evidence of Master Project Insurance

Conventional Condominium Changes, continued

Submissions to PAD

Due to the importance of the required information, use of the new forms is required on project submissions to the PAD effective December 14, 2020. After that date the Project Approval Department cannot accept outdated questionnaires or forms. Any project received without the current version of the questionnaire or forms will be pended and an email will be sent requesting the correct form.

Guide Update: 811.1 Streamlined/Limited Review, 811.2 Reciprocal Review, 811.3 Established Review, 811.4 New Review, Project Approval Department > Condominium Forms > Submission Sheets, Project Approval Department > Condominiums Forms > Condominium Questionnaires

Address Change: HFA Final Documents

As a reminder, and as previously published, beginning November 13th, all **HFA Final Documents** should be delivered to the following address:

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

Current Address	New Address (beginning 11/13/20)
U.S. Bank Centralized Image Capture EP-MN-HMP1 7601 Penn Avenue South, Suite A1 Richfield, MN 55423	U.S. Bank Attn: CIC HFA Final Docs EP-MN-X3CI 9380 Excelsior Blvd, 3 rd Floor Hopkins, MN 55343

Note: This change is for HFA only and does not impact Correspondent loans.

Guide Updates: U.S. Bank HFA Lending > 900: Delivery and Funding > M. Final Documentation

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.