



Seller Guide Update



SEL-2021-043: Multiple Topics

July 30, 2021

- Correspondent Lending
- Housing Finance Agency (HFA)

Table of Contents

The following topics are included in this update:

Clarification: Freddie Mac Fixed Rate Jumbo Guidelines.....	2
VA COE & Funding Fee.....	2
Conventional Loans – Loan Participant Screening Requirement.....	3
Fannie Mae’s RefiNow™ and Freddie Mac’s Refi Possible SM	3
Reminder: Homeownership Education Requirements.....	4
Disaster Area Declarations.....	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.



**Clarification:
Freddie Mac
Fixed Rate
Jumbo
Guidelines**

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 type="checkbox"/>	HFA Delegated
<input type="checkbox"/>	HFA Non-Delegated
Products	
<input checked="" type="checkbox"/>	Conv. (Freddie)
<input type="checkbox"/>	Conv. (Fannie)
<input type="checkbox"/>	Conv. (Portfolio)
<input type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

We are clarifying our guidelines as it relates to our Freddie Mac Fixed Rate Jumbo product as follows **effective with locks on and after August 1, 2021:**

Freddie Mac Fixed Rate Jumbo - Cash Out Refinance

Cash Out Refinance Transactions	Max LTV	Max TLTV/HTLTV	Easy D Lenders Min FICO	Easy D Lenders Max DTI	All other Lenders Min FICO	All other Lenders Max DTI
Primary 1 unit	80%	80%	620	50%	620	45%
Primary 2 unit	75%	75%			680	50%
Second Home 1 unit	75%	75%	620	50%	620 680	45% 50%

ALL Lenders:

- At least one Borrower must have been on the title to the subject property for at least six months prior to the Note date of the new cash out refinance mortgage. Exceptions are allowed as specified in [Chapter 4301.5](#) of the Freddie Mac Guide.
- Second Home - Each Borrower and all Borrowers collectively may not be obligated on more than **ten (10) if Easy D Loans six (6) for Non-Easy D Loans 1-4** unit financed properties (including the subject property and the borrowers primary residence). When the number of 1-4 financed properties is > six (6) the subject must have an LPA risk class of accept and minimum Indicator score of 720

Guide Updates: 3626 - FHLMC Fixed Rate Jumbo Conforming 30-25 Year and 3627 - FHLMC Fixed Rate Jumbo Conforming 30-25 Year

**VA COE &
Funding Fee**

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

Effective Date: Immediately

Certificate of Eligibility (COE) is no longer required on Interest Rate Reduction Refinance Loans (IRRRL). VA also reiterated the process for determining if a borrower is exempt from the Funding Fee. Lenders are not to advise a potentially exempt borrower to finance the funding fee only to receive cash back at closing.

COE

IRRRL receive an automatic 25% guaranty therefore a COE is no longer required. Instead a printed verification from WebLGY on the IRRRL Appraisal Case Initiated Screen will indicate funding fee exemption. As a reminder only an existing VA loan can be refinanced as an IRRRL and can only include the existing lien. No seconds for forbearance missed payments can be included.

Funding Fee Exemption

Any Active Duty Service member that has a pre-discharge claim pending requires VA Form 26-8937 Verification of VA Benefits to be submitted to VA. If a proposed or memorandum rating is not obtained and the closing takes place, the funding fee exemption does not apply, and the Service member will not be entitled to a refund.

Conventional Loans – Loan Participant Screening Requirement

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

Effective: Effective immediately

U.S. Bank is updating our Loan Participant Screening requirements for Conventional Agency and Portfolio loans as follows:

Agency Requirements

U.S. Bank, in partnership with our RedSky Appraisal affiliate, maintains an Exclusionary Report that includes the Freddie Mac and FHFA excluded participants not eligible to participate in the origination of a loan sold to U.S. Bank.

Lenders are responsible for reps and warrants regarding the requirement that any party on the exclusionary report not be associated with any loan sold to Freddie Mac, Fannie Mae or U.S. Bank Portfolio. The following participants must be screened:

- Borrower(s)
- Property seller(s)
- Builders
- Mortgage loan originator and loan origination company, including but not limited to loan officers, third party originators, retail lenders, mortgage brokers and correspondents
- Real estate agent(s) and real estate company(ies)
- Settlement agent and settlement company
- Appraiser and appraisal company

The U.S. Bank Exclusionary Report can be found on AllRegs in the Appraisals > Exclusionary Report > folder.

In addition to U.S. Bank's AllRegs site, FraudGuard, and other mortgage fraud detection systems have access to the exclusionary report within their tool(s).

Guide Update: 713.32 Agency - Exclusionary Report, 714.1.10 Portfolio - Appraisals

Fannie Mae's RefiNow™ and Freddie Mac's Refi PossibleSM

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
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In May of this year, [Freddie Mac introduced](#) its Refi PossibleSM designed to assist lower-income borrowers earning 80% or less of area median income (AMI) on an existing Freddie Mac-owned mortgage. Eligible borrowers will receive meaningful refinancing benefits including a reduction in interest rate and a lower monthly mortgage payment. Additionally, In June of this year, [Fannie Mae launched](#) its RefiNow™ offering which is an affordable refinancing option for qualifying homeowners aimed at making it easier and less expensive to reduce monthly housing costs.

U.S. Bank is currently reviewing the overall programs; however, they are not yet an eligible program for delivery at this time.

Reminder: Homeownership Education Requirements

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
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As a reminder and as published in our Correspondent Product Guidelines, some programs require at least one occupying borrower to complete the Framework homeownership education course **prior to the note date** if:

- all borrowers on the loan are relying solely on non-traditional credit to qualify
- For Fannie Mae and Freddie Mac Conforming Fixed Rate:** Purchase transactions with LTV/TLTV/HTLTV >95% where all borrowers are first-time homebuyers require homeownership education
- For Fannie Mae HomeReady:** Purchase transaction where ALL occupying borrowers are first-time homebuyers

In lieu of Framework homeownership education HUD-Approved homebuyer education providers may be used under one of the following exceptions:

- The presence of a disability, lack of Internet access, or other situations may indicate that a borrower is better served through other education modes. In these situations, borrowers should be directed to Framework's toll-free customer service line, from which they can be directed to a HUD-approved counseling agency that can meet their needs.
- Counseling required by Community Second program they are using
- Housing Counseling course completed **prior to execution of sales contract**

U.S. Bank has continued to see an increasing number of loans that do not meet these requirements which causes significant delays in the purchase process, and can ultimately cause a loan to be unpurchasable by U.S. Bank.

Important Notes:

- There has been some confusion surrounding MGIC being an allowable counseling agency. MGIC is not considered to be HUD-approved or a nationally recognized counseling service; it is an **ineligible** counseling option and any loans delivered that uses them will not be eligible for purchase by U.S. Bank.
- National Industry Standards for Homeownership Education and Counseling** – a set of guidelines for quality homeownership and counseling services. Industry professionals who adopt these standards can be trusted to provide consistent, high quality advice. Find adopting organizations at: <https://homeownershipstandards.org/Home/Home.aspx>

Disaster Area Declarations

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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.

- Agency, Portfolio, VA, and RD loans with subject properties located in counties listed below that have not CLOSED by the Disaster Declaration Date must follow the requirements listed in AllRegs.
- FHA loans with subject properties located in the parishes listed below that have not been ENDORSED as of the Disaster Declaration Date must follow the FHA requirements listed in AllRegs.

Declaration Date	ST	County/Parish
July 15, 2021	MI	Washtenaw, Wayne

Guide Section: 711.20 – Natural Disaster Procedures (FHA), 712.20 – Natural Disaster Procedures (VA), 713.21 – Natural Disaster Procedures (Conventional), 714.1.10 – Appraisal Procedures (Portfolio – Correspondent Only), 715.20: Natural Disaster Procedures (USDA)

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.