



# Seller Guide Update



SEL-2021-053: Multiple Topics

September 24, 2021

- 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.



## Deed/Resale Restricted Properties

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 type="checkbox"/>	Conv. (Portfolio)
<input type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

**Effective Date:** New Correspondent locks and/or HFA reservations on or after September 27, 2021

U.S. Bank Home Mortgage has reviewed the Agency requirements on Resale or Deed restricted properties. Based on those requirements, U.S. Bank has created a specific policy to allow for Agency Products Only.

Deed restricted properties must meet the requirements outlined below.

### Deed/Resale Restriction Requirements with a Subsidy Provider Program

- All properties subject to resale and/or deed restriction programs (approved by Delegated Lender or U.S. Bank underwriting) as well as Subsidy Provider Programs (approved by Delegated Lender or on the U.S. Bank Approved Assistance List) will require approval.
- The subsidy provider manages, or is managed by, or is housed within, a State or local government, a government sponsored program or a non-profit corporation that is legally chartered in the State in which it is located and has a 501(c)3 tax exemption from the IRS.
- The subsidy provider may employ a third-party non-profit or, as allowed by the applicable jurisdiction, a for-profit corporation, as a program administrator to manage the affordable housing program, its resale restrictions and controls.
- The subsidy provider or program administrator provides home counseling services or has established partnerships with at least one organization that does including a HUD approved agency.
- The subsidy provider or program administrator has established procedures for screening, processing applicants and approving transactions.
- The subsidy provider or program administrator has procedures to approve capital improvements on the property and guidelines for the borrower to receive credit for any costs of capital improvements paid by the borrower that are eligible by the program.
- The resale restrictions are imposed by State or local government, or municipalities.

### General Requirements for Properties Subject to Resale Restrictions

- The U.S. Bank mortgage must be in first lien position.
- Any subsidy or down payment assistance obligation must be subordinate to the first mortgage
- Any second mortgage must also meet the requirements of a community second and approved by Delegated Lender or U.S. Bank Product Management.
- The right of first refusal is limited to 90-days from notification to program administrator
- Deed restrictions regarding borrower's restriction to equity of any kind are not allowed, i.e. no shared appreciation.
- Terms of the resale restriction must appear in public land records and included in title report.
- For properties where the resale restrictions that terminate upon foreclosure,
  - appraisal must reflect market value without resale restrictions. Appraisal must include specific language "This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period, or upon recordation of a deed-in-lieu of foreclosure."
  - LTV for purchase and refinance are based on the lesser of Sales Price or Appraised value without the resale restriction.
  - For Agency loans, a SFC code 630 must be entered in the LOS.

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**General Requirements for Properties Subject to Resale Restrictions (continued)**

- For properties where the resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure,
  - property will be limited to an 80% LTV.
  - resale restrictions must not impair our ability to foreclosure on the property.
  - appraisal must reflect the impact the restrictions have on the subject property's value and when available, be supported by comparable sales with similar restrictions. If recent comparable sales with similar resale restrictions are not available in the subject neighborhood, the appraiser should then use similarly restricted older comparable sales from the subject neighborhood or consider recent and older similarly restricted sales from competing neighborhoods as comparable sales or as supporting market data. When comparable sales with similar resale restrictions are not available, the appraiser may use comparable sales with different resale restrictions or comparable sales without resale restrictions provided the appraiser can justify and support their use in the appraisal report.
  - LTV for purchase and refinance are based on the lesser of Sales Price or Appraised value with the resale restriction.
  - For Agency loans, a SFC code 631 must be entered in the LOS.

**Additional requirements for income-based resale restrictions**

- 1-2-unit primary residence only. Condo or PUD acceptable. No manufactured homes
- Purchase and Rate/Term only.
- Income based resale restrictions restrict the initial sales price and may impact the subsequent resale price of property.
- The resale restricted price provides a form of subsidy to the homebuyer in an amount equal to the difference between sales price and market value.
- Restrictions must be stated in a separate covenant, restriction, easement or condition in a deed or other instrument executed by or on behalf of the owner of the land and must be recorded.
- Restrictions may be in effect for a specific amount of time or continue in perpetuity.
- Minimum down payment requirements are based on the lesser of resale restricted price or appraised value.

**Guide Update:** 713.17 Agency - Eligible Properties

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## Update to Tax Return Requirement for Income from Family-Owned Business

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

## Agency Underwriting Guideline Changes

Underwriting/Delivery	
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<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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Products	
<input checked="" type="checkbox"/>	Conv. (Freddie)
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<input type="checkbox"/>	Rural Development

**Effective:** Immediately

U.S. Bank is updating income documentation credit policy for Income from family-owned business guidelines to follow AUS findings.

### Tax Return Requirement when Working for Family

This update will require the greater of a minimum of one-year tax return or the AUS required documentation when working for a family-owned Business. In addition to the tax return, all other income documentation required per the AUS Feed Back Certificate must be met.

The intent is to independently verify that the borrower is truly in receipt of the qualifying income, by means of reporting it on the tax returns. In addition, the returns will verify any ownership interest in the family-owned business. The borrower is not required to have been employed in that business for the entire tax period, or any particular time period. However, the most recent return must include and support some portion of the income.

**Guide Updates:** 713.7 Agency – Effective Income

**Effective Date:** Immediately

U.S. Bank is announcing the recent updates to Freddie Mac Underwriting Guidelines impacting the following:

- Year-to-date paystubs
- Property eligibility

### Year-to-date paystubs

All verifications of income, including year-to-date (YTD) paystubs, must be dated no more than 120-days before the Note Date. In addition to this requirement, Freddie Mac will require that YTD paystubs be dated no more than 30-days before the Application Received Date.

### Property eligibility

Freddie Mac has updated their property eligibility guidelines as follows:

- Permitting Mortgages for single-wide Manufactured Homes located outside of Planned Unit Development or Condominium Projects to be sold to Freddie Mac, subject to written approval. Regardless of Freddie Mac written approval, U.S. Bank will not originate or purchase any loan when the property is a single-wide Manufactured Home.
  - **Important HFA Note:** For our HFA lenders, as is currently policy, U.S. Bank does not currently permit properties secured by a manufactured home for Freddie Mac loans.
- Group homes for individuals with disabilities are now considered an eligible property.

**Guide Update:** 713.19 Agency – Manufactured Housing

# USDA Guaranteed Rural Housing Funding Update

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

As announced by USDA, at the beginning of Fiscal Year 2022 (FY 2022), which will begin October 1, 2021, funding for USDA's Single Family Housing Guaranteed Loan Program (SFHGLP) will not be available for a temporary time period.

## Temporary Lapse of Funding

During the temporary lapse of funding, Rural Development will issue Conditional Commitments (Form RD 3555-18/18E) "*subject to the availability of commitment authority*" for purchase and refinance transactions.

U.S. Bank will continue to purchase USDA Rural Housing loans during the temporary lapse with Conditional Commitments "*subject to the availability of commitment authority*" for purchase and refinance transactions.

## Final Documents - Final Conditional Commitment and Loan Note Guaranty

Lenders will be required to provide U.S. Bank the **final Conditional Commitment (RD 3555-18/18E)** and the **Loan Note Guaranty** once they are received from USDA as post-closing documentation requirements. As referenced in the **Correspondent Seller and HFA Division Lending Guides (900: Delivery and Funding > M. Final Documentation)**, lenders are required to provide original loan documents for each loan purchased by U.S. Bank within 90 days from date of purchase.

**Note:** Loans without a Conditional Commitment are not eligible for purchase.

## 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.