



Seller Guide Update



SEL-2021-062: Multiple Topics

November 12, 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 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 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 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.



Projects with Significant Deferred Maintenance

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: Effective with new locks and reservations on and after November 15, 2021

Fannie Mae recently issued [Lender Letter 2021-14](#) and Freddie Mac is expected to issue a communication on providing additional requirements for condo and co-op projects with significant deferred maintenance. Based on those requirements, U.S. Bank has updated our policy. These changes apply to all agency and portfolio loans secured by units in projects with 5 or more attached units, regardless of the type of project review or review waiver.

The PAD Full and Streamlined project submission sheets will be updated, as will the condominium questionnaire to identify the additional information required.

Significant Deferred Maintenance & Unsafe Conditions

- Loans secured by units in condo and co-op projects with significant deferred maintenance or in projects that have received a directive for a regulatory authority or inspection agency to make repairs due to unsafe conditions are not eligible for origination by U.S. Bank until all repairs have been made and documented.
- Significant deferred maintenance includes deficiencies that meet one or more of the following criteria:
 - Full or partial evacuation of the building to complete repairs is required for more than seven days or an unknown period of time;
 - The project has deficiencies, defects, substantial damage, or deferred maintenance that:
 - Is severe enough to affect the safety, soundness, structural integrity, habitability of the improvements; or
 - The improvements need substantial repairs and rehabilitation, including many major components; or
 - Impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements.
- Projects that have failed to obtain an acceptable certificate of occupancy or pass local regulatory inspections or recertifications are not eligible.

These policies do not apply to routine maintenance or repairs that the HOA undertakes to maintain or preserve the integrity and condition of the property.

Special Assessments

Any current or planned special assessment, even if paid in full for the subject unit, must be reviewed to determine acceptability. U.S. Bank must document the loan or project file with the following:

- The reason for the special assessment;
- The total amount assessed and repayment terms;
- Documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project, and
- Borrower qualification with any outstanding special assessment payment.

Reserve Requirements: The use of a reserve study in lieu of the 10% line-item in the current budget for reserves for deferred maintenance and replacements will no longer be permitted. Exceptions for established projects must be submitted to the Project Approval Department (PAD).

Project Eligibility Waivers (PEWs): Fannie Mae will not issue PEW's for significant deferred maintenance, failure to obtain a certificate of occupancy, failure to complete or pass a regulatory inspection or projects subject to large special assessments.

Condo Project Manager (CPM): Fannie Mae CPM application will report projects that are "unavailable" as they become aware of them. Projects with an unavailable status are ineligible for Fannie Mae loans. PAD will verify the CPM status for all submissions.

Correspondent delegated lenders may submit a request to Fannie for a CPM status via email: CPM_manage@fanniemae.com. A copy of the CPM status must be included in the Correspondent Loan package.

Projects with an Unavailable Status may be eligible for Freddie Mac if the project meets Freddie Mac guidelines.

Guide Updates: 811.1 Streamlined Limited Review, 811.3 Established Project Full Approval Process (Not Streamlined), 811.4 New Project Full Approval Process

Employment Related Retirement Assets as Qualifying Income

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

End of Cycle Coming Soon - Government ARM Change Dates

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

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
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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

Questions

Effective Date: Immediately including all loans in pipeline

U.S. Bank is eliminating the overlay on the ability to use employment related retirement assets as qualifying source for repayment of monthly obligations.

U.S. Bank will follow Fannie Mae/DU and Freddie Mac/LPA requirements.

Fannie Mae: [B3-3.1-09, Other Sources of Income](#) – Refer to:

- Employment Related Assets as Qualifying Income
 - Asset Requirements
 - Loan Parameters

Freddie Mac: [5307.1 Assets as a basis for repayment of obligations](#) – Refer to:

- a) Mortgage eligibility requirements
- b) Assets calculation for establishing the debt payment to income ratio
- c) Asset eligibility and documentation requirements
 - Retirement Assets
 - Lump sum distribution funds not deposited to an eligible retirement asset
- d) H31 must be used as an IFI code for loans that use employment related assets as a basis for repayment of obligations.

Guide Updates: 713.7 Agency - Effective Income

As a reminder, we have approached the end of a cycle to accept **January 1, 2027** change dates for FHA/VA ARM loans.

- **Loans Purchased and Change Date Requirements** - Loans purchased after **November 19, 2021**, must have a **April 1, 2027** change date.

Guide Update: 1300: ARM Documents > Disclosures > [FHAVA ARM Change Dates](#)

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 and HFA Lending Guide must be met. In some cases, additional counties may have been added. Lenders are responsible for verifying procedures 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
October 30, 2021	CT	Fairfield, Mashantucket, Pequot Indian Reservation, New London

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)



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.