



Seller Guide Update



SEL-2020-023: Multiple Topics including Temporary Flexibilities

April 1, 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 otherwise 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.



Temporary Flexibilities for Tax Return Requirements

| Underwriting/Delivery | |
|-------------------------------------|---------------------|
| <input checked="" type="checkbox"/> | Corr. Delegated |
| <input checked="" type="checkbox"/> | Corr. Non-Delegated |
| <input checked="" 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 |

The Treasury Department and the Internal Revenue Service are providing special tax filing and payment relief to individuals and businesses in response to the COVID-19 national emergency. The filing deadline for tax returns has been extended from April 15 to July 15, 2020. **U.S. Bank is offering the following temporary flexibilities for the tax return requirements effective immediately.**

At the time of underwriting, U.S. Bank will require the previous year tax returns after April 15th, if available, otherwise July 15th of the current year unless an extension has been filed with the IRS. A copy of that extension must be documented in the file. For example:

| If the underwriting date is: | Most recent years return is: | Most recent 2 years returns are: |
|------------------------------|--|--|
| March 25, 2020 | 2018 | 2018 and 2017 |
| April 16, 2020 | 2018, or 2019 if available | 2018 and 2017, or 2019 if available and 2018 |
| July 16, 2020 | 2019 or 2018 Tax Returns and IRS Form 4868 for 2019 | 2019 and 2018 or 2018 and 2017 Tax Returns and IRS Form 4868 for 2019 |
| October 15, 2020 | 2019 (Extensions not allowed) | 2019 and 2018 Tax Returns (Extensions not allowed) |

IRS Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, may be submitted together with the most recent year's **filed** return in certain circumstances. The form must be complete and filed on time with the IRS.

Important Note: If an IRS Form 4868 Extension is filed, then the extension and most recent tax returns are required

Clarification: Temporary Flexibilities for Verbal Verification of Employment for Portfolio

| 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 type="checkbox"/> | HFA Delegated |
| <input type="checkbox"/> | HFA Non-Delegated |
| Products | |
| <input type="checkbox"/> | Conv. (Freddie) |
| <input 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-2020-021 we announced that effective immediately for all Portfolio loans in process (will remain in place for loans with application dates on or before May 17, 2020) Verbal Verification of Employment (VVOE) will be required as follows. Please refer to this clarified language:

- The lender must make all attempts to obtain VVOE. If a VVOE cannot be obtained the lender needs to document their efforts to contact the employer or other third party verification services (i.e. date, time, phone number called, etc.). **As an alternative, a verification from the employer emailed directly from the employer's work email address identifying the borrower's name and current employment status can be used in lieu of a verbal VVOE. U.S. Bank cannot accept pay stubs or bank statements as VVOE substitutes for Portfolio Loans (only for Agency Loans).**
- For both Salary/Wage Borrower VVOE and for self-employed borrowers, processors should verify closer to the note date rather than rely on current Policy requirements (i.e. within 5-days for Salary/Wage Earners and within 15-days for self-employed instead of 10- days and 120-days respectively)
- If the lender is unable to get a verbal or email verification of employment prior to closing or if the VVOE indicated that the borrower has been furloughed or laid off:
 - The loan cannot be approved for funding until the borrower either returns to work or receives a firm date upon which their employment will start within standard employment return to work guidelines.

Clarification: IRS Processing Center Shutdown Impacting 4506-T Fulfillment Times

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

In **SEL-2020-021**, we announced that due to the IRS processing delays associated with both mortgage volume levels and the COVID-19 national emergency, we are allowing temporary flexibility to 4506-T Tax Transcript requirements **effective immediately as follows**.

Please note that we have updated the third bullet below as highlighted in red:

4506-T IRS Tax Transcript

- There is no change to the current requirement that the form 4506-T be executed by the borrower(s) and contained in the file so that income can be verified with the IRS at a later date.
- When a 4506-T Tax Transcript cannot be obtained in a timely manner, Underwriters can waive or adjust the tax transcript requirement if there is sufficient information to support income validation of salaried and wage earner borrower who show stability year over year.
- **For all self-employed borrowers or salaried and wage earner borrower (where the underwriter does not have sufficient information to support income validation), the underwriter may use the following alternative methods to confirm the borrower(s) income.**
 - Copy of cancelled check(s) matching amount due the IRS
 - Copy of deposit matching exact amount of any return using bank statement, deposit receipt, or direct bank verification indicating the transaction
 - Electronic filing receipt from IRS indicating the Declaration Number (DCN), and AGI that matches the return.

E-sign Acceptance of IRS Form 4506-T

The IRS accepts an e-signed IRS Form 4506-T Requests for Transcript of Tax Return.

We are pleased to announce that U.S. Bank is now able to process the e-signed Form 4506-T effective immediately.

U.S. Bank will purchase loans where documents are signed using an electronic signature provided the documents are delivered and signed in compliance with UETA, ESIGN, State law, all U.S. Bank policies and procedures, or agency guidelines as outlined in our guide.

Guide Update: 900: Delivery and Funding > C. Funding Documentation Requirements

Clarification: Title Insurance Requirements and Required Endorsements

In **SEL-2020-017**, we announced updated final title insurance requirements and required endorsements which also included Gap Coverage for the period between the date of the last courthouse record search through the recording date of the new deed and/or mortgage. Please note the following clarifications in red.

In addition to the existing requirements outlined in our Correspondent Seller and HFA Division Lending Guides:

- The following exceptions are NOT acceptable on Final Title Policies" section 3 (I) of the guide:
 - There cannot be any exceptions to Gap Coverage on the commitment/policy
- All permanent structures must be identified (i.e., house, garage, storage, etc.). The location of easements (eastside, west side, etc.) must be described in title policy.
 - If a Location Endorsement, ALTA 116 is not customary to the state and no plat/survey is available, the survey exceptions cannot be noted on the title commitment/final policy.

Title Policy Exception Due to COVID-19

Given the current environment, we are finding that title companies may be including the following (or similar) exception due to closures of county recorders/courthouses. U.S. Bank will not purchase a loan with title exceptions until it is cleared, and an update provided evidencing it is no longer included on the final title insurance policy:

The Company reserves the right to raise exceptions and requirements or determine that it will not issue a title policy based upon the details of the transaction, the review of the closing documents, and changes in recording and title searching capabilities resulting from the COVID-19 virus.

Guide Update: 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.
