



- ☒ 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.



## Clarification: Updated Correspondent Credit Overlay

In **SEL-2020-024** and **SEL-2020-025**, we announced new Correspondent Credit Overlays and clarifications, respectively. The purpose of this announcement is to further clarify the **Funds for Closing** overlay for both Government and Conventional Agency as follows:

- **Funds for Closing** – Minimum FICO score of 700 with maximum DTI of 43% when any funds used for closing costs or down-payment are NOT borrower's own funds or gift funds.
  - This restriction applies when utilizing Down Payment assistance (DPA) or Closing Cost assistance grants, loans or other similar programs. Note that Seller and Borrower paid closing costs, lender credits, and gift funds are not included in this restriction.

**Guide Update:** Respective product guidelines and the Overlay Matrix will be updated this week.

## Temporary Credit Underwriting Requirements for Agency Loans

**Effective Date:** Effective with application dates on or after April 14, 2020 through May 17, 2020.

During this COVID-19 national emergency, Fannie Mae, Freddie Mac and Mortgage Insurance (MI) companies are monitoring the potential impact on borrowers, businesses and loan originations. In response, the Agencies and MI Companies are tightening various credit underwriting requirements as follows:

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

**Age of income and assets documentation:** In order to ensure that the most up-to-date information is being considered to support the borrower's ability to repay, we are updating our age of documentation requirements for all loans (existing and new construction) as follows:

- Modifying age of document requirements from four months (120 days) to two months (60 days) for most income and asset documentation. If an asset account is reported on a quarterly basis, the lender must obtain the most recently issued quarterly statement.
- When the lender receives employment and income verification directly from a third-party employment verification vendor, we are now requiring that the information in the vendor's database be no more than 35 days old as of the note date.
- There are no changes to the age of documentation requirements for military income documented using a Leave and Earnings Statement, Social Security, retirement income, long-term disability, mortgage credit certificates, public assistance, foster care, or royalty payments, and the lender can continue to apply standard age of document requirements as stated in the Freddie Mac and Fannie Mae Selling Guide.

**Self-employed Borrowers: Verification of the current existence of the business – business open and operating:** When a borrower is using self-employment income to qualify, the lender must verify the existence of the borrower's business within 10 business days prior to the note date. Below are examples of methods that may be used to confirm the borrower's business is currently operating:

- evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment);
- evidence of current business receipts within 10 days of the note date (payment for services performed);
- lender certification the business is open and operating (lender confirmed through a phone call or other means); or
- business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).

**Stocks, stock options and mutual funds:** In light of current market volatility, the following updates when the borrower is using stocks, stock options, or mutual funds for assets are being made:

- When used for down payment or closing costs, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented in all cases.
- When used for reserves, only 70% of the value of the asset must be considered, and liquidation is not required.

**Investment Properties:** Investment property LTV/TLTV/HTLTV will be reduced to 80%



## Temporary Flexibilities for Agency Appraisals on New Construction 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 type="checkbox"/>	HFA Delegated
<input 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:** Immediately for all loans in process and remain in place for loans with application dates on or before May 17, 2020.

During this COVID-19 national emergency, in some cases lenders are unable to obtain an appraisal based on a full interior and exterior inspection of the subject property. In response, Fannie Mae and Freddie Mac are allowing temporary flexibilities to our appraisal requirements. Regardless of these flexibilities, U.S. Bank and its lenders will still comply with UAD, UCDP and SSR requirements.

For new construction properties (purchase transactions) where:

- the appraisal would be “subject to completion per plans and specifications,” or
- when the property is 100% complete

and a new interior and exterior inspection appraisal assignment was to be performed but has not been completed, Freddie Mac and Fannie Mae will permit a desktop appraisal on the forms identified in the following table:

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	Uniform Residential Appraisal Report (Form 1004/70)
Condominium unit	Individual Condominium Unit Appraisal Report (Form 1073/465)
Cooperative Unit	Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090)
2-4 Unit Property	Small Residential Income Property Appraisal Report (Form 1025/72)
Manufactured Home	Manufactured Home Appraisal Report (Form 1004C/70B)

To accommodate the desktop appraisal using the existing Freddie Mac and Fannie Mae forms, the revised scope of work, statements of assumptions and limiting conditions provided by Freddie Mac and Fannie Mae must accompany the form.

Additionally, the appraiser must identify that a desktop appraisal was performed by populating the Map Reference field on the appraisal with “desktop.”

**Documentation Requirements:** If construction of the property has not yet begun or is partially completed, and as a result the appraisal report will be completed “subject to completion per plans and specifications,” the Seller must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Current photos of the subject property
  - If construction has not yet begun a photograph of the site and street scene (i.e., a photograph of the street view in both directions) are required
  - If construction is partially complete, the Seller must provide, or ensure that the builder has provided, the appraiser with all of the following photographs:
    - A front view of the subject property
    - A rear view of the subject property
    - A street scene (i.e., a photograph of the street view in both directions)
    - The following interior photos are required when construction is at a stage in which they are available
      - The kitchen of the subject property
      - All bathrooms of the subject property
      - The main living area of the subject property
      - Basement, including all finished rooms

## Temporary Flexibilities for Agency Appraisals on New Construction Properties, continued

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**Documentation Requirements:** If construction of the property has not yet begun or is partially completed, and as a result the appraisal report will be completed “subject to completion per plans and specifications,” the Seller must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Current photos of the subject property
  - If construction has not yet begun a photograph of the site and street scene (i.e., a photograph of the street view in both directions) are required
  - If construction is partially complete, the Seller must provide, or ensure that the builder has provided, the appraiser with all of the following photographs:
    - A front view of the subject property
    - A rear view of the subject property
    - A street scene (i.e., a photograph of the street view in both directions)
    - The following interior photos are required when construction is at a stage in which they are available
      - The kitchen of the subject property
      - All bathrooms of the subject property
      - The main living area of the subject property
      - Basement, including all finished rooms

If the property is fully completed, and as a result the appraisal report will be completed “as is,” the Seller must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Current photos of the subject property, including:
  - A front view of the subject property
  - A rear view of the subject property
  - A street scene (i.e., a photograph of the street view in both directions)
  - The kitchen of the subject property
  - All bathrooms of the subject property
  - The main living area of the subject property
  - Basement, including all finished rooms

### Builder certification

The lender must obtain a signed Builder Certification (provided by Freddie Mac and Fannie Mae) attesting that the information provided is true and correct. This certification must be included in the loan file.

### Completion reports for new construction properties

For new construction properties where the interior and exterior inspection appraisal report was completed “subject to completion per plans and specifications,” if the lender is unable to obtain a completed Appraisal Update and/or Completion Report (Form 1004D) as a result of COVID-19 related issues, we will accept the Completion of Construction Certification (provided by Freddie Mac and Fannie Mae).

**Construction to Permanent Loans:** These requirements apply to purchase transactions only and exclude all construction-to-permanent loans.

## Good Friday Hours of Operation – Mandatory Desk

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**U.S. Bank Bulletin B-2020-09** outlined the hours of operation for the upcoming Good Friday holiday on Friday, April 10<sup>th</sup>. Please note the following correction:

- **Mandatory Commitments** - Please note that the Mandatory Lock Desk will bid Mandatory commitments **until 12:45 pm CT on Thursday, April 9<sup>th</sup>**.

## 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.