



# Seller Guide Update



SEL-2020-034: Mortgage Loans in Early Forbearance

April 27, 2020

- Correspondent Lending
- Housing Finance Agency (HFA)

## Summary

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

Effective with loans purchased on or after April 27, 2020, U.S. Bank will align with [Fannie Mae Lender Letter LL-2020-06](#) and [Freddie Mac Bulletin 2020-12](#) specific to selling loans in forbearance due to COVID-19 as follows:

- **Conventional Purchase or Rate/Term Refinance Transactions:** If a loan enters into forbearance after purchase by U.S. Bank, but prior to the loan being sold to the Agency, the loan will be assessed a standard agency Loan Level Price Adjuster (LLPAs) as published by Fannie Mae and Freddie Mac as follows:

LLPA Category	LLPA Fee
First Time Homebuyers	5%
All other loans	7%

**Note:** This is in addition to all other LLPAs applicable to the loan and is not subject to the LLPA cap.

- **Conventional Cashout Transactions:** Ineligible and remain subject to repurchase if the loan enters forbearance after purchase by U.S. Bank.
- **Portfolio Purchase Transactions:** If a Portfolio loan enters forbearance prior to the first payment date after U.S. Bank purchases the loan, U.S. Bank will assess a 3% fee.

## Important Notes:

- A loan that goes into forbearance due to COVID-19 will be considered an Early Payment Default (EPD) should the first payment not be made. If the first payment is made and the loan goes into forbearance due to COVID-19, the loan will not be subject to Early Payment Default fees in addition to the LLPAs due to forbearance.
- At the present time, loans with a government guarantee (FHA, VA, RHS, etc.) eligible for delivery to GNMA are not subject to this fee, but could change if government insured loans become subject to fees or have program changes affecting their deliverability.
- If a Correspondent Seller has a lock on a loan that enters into forbearance (i.e. pre-purchase) they must inform U.S. Bank so the lock can be cancelled as the loan will not be eligible for purchase.
- U.S. Bank will **not** assess any additional administrative fee for a loan that enters into forbearance. As a reminder, and as published in our Correspondent Seller and HFA Division Lending Guides, U.S. Bank will not purchase any loan that is currently in deferment or forbearance of their mortgage payment.



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## Representations and Warranties – Early Payment Default and Repurchases

Lenders are reminded of their obligations regarding Representations and Warranties for Early Payment Default (EPD) and Repurchases as summarized below:

### Early Payment Default:

- **Correspondent:** If any Mortgage Loan, underwritten by Seller, becomes delinquent during the first three (3) scheduled monthly payments that are payable to the Buyer, and the Mortgage Loan is not brought current by the borrower within 90 days of such delinquency, Seller shall refund to Buyer all service release premiums received by Seller from Buyer with respect to that Mortgage Loan, additionally, a processing fee of \$1,000 on conventional loans and \$2,000 on government loans shall be due from Seller and payable to Buyer.
- **HFA:** If any Mortgage Loan, underwritten by Lender, becomes delinquent during the first 3 scheduled monthly payments that are payable to the U.S. Bank, and the Mortgage Loan is not brought current by the borrower within 90 days of such delinquency, Lender shall refund to U.S. Bank all service release premiums received by Lender from U.S. Bank with respect to that Mortgage Loan, additionally, a processing fee of \$1,000 on Conventional Mortgage Loans and \$2,000 on FHA, VA and RHS Mortgage Loans shall be due from Lender and payable to U.S. Bank.

### Repurchases:

REPURCHASE OF LOANS: Seller hereby agrees to repurchase any Mortgage Loan sold to Buyer at any time upon the occurrence of any of the following events:

Buyer is required to repurchase any Mortgage Loan sold by it to GNMA, FNMA, FHLMC, or any other investor, because the investor, GNMA, FNMA, or FHLMC determined that the loan is not of acceptable quality or was ineligible for purchase as a result of a violation of the investor, GNMA, FNMA, FHLMC, or U.S. Bank's Seller/Service Guide and/or Correspondent Manual.

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## Updated Correspondent/HFA COVID- 19 Frequently Asked Questions (FAQ)

We will update the [COVID- 19 Frequently Asked Questions \(FAQ\)](#) document with the most recent information including:

- Updates as outlined within this announcement for Mortgage Loans in Early Forbearance

The FAQ provides guidance for temporary relief of policies due to COVID-19. Please continue to reference the U.S. Bank Seller and HFA Lending Guides as primary resources for all U.S. Bank policies.

The FAQ is in our new Correspondent/HFA COVID-19 Resource Page within AllRegs. From the AllRegs home page, the FAQ is on the right hand side of the page in the 'Our Library Company Announcements' or under 'Our Library.'

**Guide Update:** COVID- 19 Frequently Asked Questions (FAQ)

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## Additional Resources

- [Freddie Mac Bulletin 2020-12](#) - Temporary Selling Requirements for Mortgages in COVID-19 Related Forbearance
- [Fannie Mae Lender Letter LL-2020-06](#) - Selling Loans in Forbearance Due to COVID-19 (04/22/2020)

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## 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.

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