



Seller Guide Update



SEL-2020-038: Multiple Topics

May 8, 2020

- Correspondent Lending
- Housing Finance Agency (HFA)

Table of Contents

The following topics are included in this update:

Requirements and Guidance Related to COVID-19.....	2
VA Cash Out Updates	3
Disaster Area Declarations.....	3
Updated Correspondent/ HFA COVID-19 Frequently Asked Questions (FAQ)	3
End of Cycle Coming Soon - Government ARM Change Dates	4
Questions.....	4

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.



Requirements and Guidance Related to COVID-19

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

Due to the current economic disruption and market uncertainty associated with the COVID-19 event, U.S. Bank will continue to update temporary guidelines with changes and clarifications as we align our communications with investor guidance.

Extension of Temporary Changes from Previous Seller Guide Updates

We are extending the temporary requirements and flexibilities previously announced that were **effective for application received dates through May 17, 2020 to mortgages with application received dates through June 30, 2020 for the following:**

Communication	Topic
SEL-2020-021	<ul style="list-style-type: none"> Correspondent: Temporary Flexibilities for Appraisals HFA: Temporary Flexibilities for Appraisals Temporary Flexibilities for Employment Verifications Temporary Flexibilities for Verbal Verification of Employment for Portfolio
SEL-2020-023	<ul style="list-style-type: none"> Clarification: Temporary Flexibilities for Verbal Verification of Employment for Portfolio
SEL-2020-027	<ul style="list-style-type: none"> Temporary Credit Underwriting Requirements for Agency Loans Temporary Flexibilities for Agency Appraisals on New Construction Properties
SEL-2020-029	<ul style="list-style-type: none"> Clarification: Temp. Credit Underwriting Requirements for Agency Loans – Investment Properties

Note: Please refer to each communication listed above for complete details, and the COVID-19 Frequently Asked Questions (FAQ) document.

Guidance and Reminders

- Furloughs**

The COVID-19 pandemic has resulted in an increase in furloughed employees. A furlough is a suspension from active employment that does not typically guarantee restoration of an employee's position when the furlough period ends regardless of whether there is a projected "return to work" date. Therefore, until furloughed employees actually return to work and are able to provide evidence of a stable and reliable flow of employment-related income, they are ineligible for Conventional Agency and Portfolio loans.

- Unemployment compensation**

Unemployment benefits cannot be used to qualify a borrower in most instances. We recognize that many unemployed and furloughed individuals are eligible for unemployment benefits under the CARES Act; however, unemployment compensation is short-term in nature and is therefore not a reliable and predictable source of income for borrowers who are not established seasonal workers. Only borrowers who have a history of unemployment benefits associated with seasonal employment that is reported on the borrower's signed federal income tax returns can use unemployment benefits to qualify.

VA Cash Out Updates

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

LTV/CLTV/TLTV Updates

Effective with loans locked on or after May 20, 2020, VA Type II Cash Out transactions will be limited to an 80 percent LTV/CLTV/TLTV.

Temporary Flexibilities for Appraisals for VA Cash Out Updated

[VA Circular 26-20-13 - Valuation Practices during COVID-19 \(Updated\)](#) provided updates to VA's previous policy on flexibility for VA Appraisals. As a follow up to our original communication published on April 24th in SEL-2020-032, please see the updated appraisal guidance below, effectively immediately.

Loan Purpose	Permissible Appraisals
VA Cash Out Type I	Traditional appraisal or alternative appraisals are eligible
VA Cash Out Type II	Traditional appraisal only

Guide Updates: The COVID-19 FAQ and the Correspondent Overlay Matrix will be updated as well as the following product guidelines:

- 2001 VA Fixed 30 year
- 2002 VA Fixed 15 year
- 2009 VA Jumbo Fixed 30 year
- 2024 VA 5/1 ARM

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
<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 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's and HFA Division Lending Guide must be met. In some cases, additional counties may have been added. Lenders are responsible for verifying procedures are in place to monitor new and/or updated declarations.

Declaration Date	State	County
May 1, 2020	SC	Aiken, Colleton, Hampton, Marlboro, Oconee, Orangeburg and Pickens

Guide Section: 711.20 – Natural Disaster Procedures (VA), 712.20 – Natural Disaster Procedures (FHA), 713.21 – Natural Disaster Procedures (Conventional), 714.1.10 – Appraisal Procedures (Portfolio – Correspondent Only), 715.20: Natural Disaster Procedures (USDA)

Updated COVID- 19 FAQ

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

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

- General clarifications for ease of review and references to lender communications
- Updated guidance on temporary flexibilities for appraisals for VA Cash Out

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)

End of Cycle Coming Soon - Government ARM Change Dates

As a reminder, we are quickly approaching the end of a cycle to accept specific change dates for FHA/VA ARM loans as follows:

- **Last Day to Purchase** - Friday, May 22, 2020, will be the last day to purchase FHA/VA ARM loans with a July 1, 2025, change date.
- **Loans Purchased and Change Date Requirements** - Loans purchased after May 22, 2020, must have an October 1, 2025, change date.

This applies to all loans that are scheduled to be delivered or have been delivered.

All loans with prior-to-funding conditions must be cleared on or before Wednesday, May 20, 2020.

Guide Update: 1300: ARM Documents > Disclosures > [FHA/VA ARM Change Dates](#)

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.
