



# Seller Guide Update



SEL-2020-044: Multiple Topics

May 22, 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 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.



## Temporary Purchase and Refinance Eligibility Requirements for Borrowers with Existing Mortgages under CARES Act COVID-19 Forbearance Status

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

### Summary

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. The following guidance is effective immediately for all loans including those in pipeline.

### Temporary Guidance

Fannie Mae and Freddie Mac have issued temporary guidance regarding the eligibility of borrowers who are in a COVID-19 forbearance or have recently ended their COVID-19 forbearance.

The table below lists the eligibility requirements/resolution methods for borrowers who have/had an existing loan in a COVID-19 Forbearance who are requesting mortgage financings for a refinance or the purchase of a new home.

U.S. Bank must apply due diligence for **each mortgage loan** on which the borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine whether the payments are current as of the note date of the new transaction.

Resolution Method	Eligibility "Waterfall" Table
<b>Forbearance</b>	<p>Borrowers in a COVID -19 forbearance who are current on all their mortgages and continued to make their scheduled monthly mortgage payments are eligible for a new mortgage loan. All existing loans must be current as of the note date and their mortgage payments made in the month prior to the note date and no later than the last business day of that month.</p> <p><b>Example:</b> Loan file has evidence of April payment made in the month of April:</p> <ul style="list-style-type: none"> <li>Note Date is June 5, 2020; Evidence of May payment made within the month of May must be obtained</li> <li>Note Date is May 30, 2020; Evidence of April payment meets requirements</li> </ul>
<b>Reinstatement</b>	<p>If the borrower is in a COVID-19 forbearance and resolves all missed payments through a reinstatement and becomes current on all their mortgages, they are eligible for a new mortgage loan.</p> <p>U.S. Bank must document the source of funds in accordance with eligible sources of funds per the Agency Guidelines, if the reinstatement was completed after the application date of the new transaction. Proceeds from a refinance may not be used to reinstate any mortgage loan.</p>

**Temporary Purchase and Refinance Eligibility Requirements, continued**

Resolution Method	Eligibility "Waterfall" Table
Loss Mitigation Solution	<p>If outstanding mortgage payments on any mortgage due to a COVID-19 related forbearance will be or have been resolved through a loss mitigation solution, the borrower is eligible for a new mortgage loan if they <u>have made at least three timely payments as of the note date</u> of the new transaction as follows:</p> <ul style="list-style-type: none"> <li>• For a repayment plan, the borrower must have made either three payments under the repayment plan or completed the repayment plan, whichever occurs first. Note that there is no requirement that the repayment plan be completed.</li> <li>• For a payment deferral, the borrower must have made three consecutive payments following the effective date of the payment deferral agreement.</li> <li>• For a modification, the borrower must have completed the three-month trial payment period.</li> <li>• For any other loss mitigation solution not listed above, the borrower must have successfully completed the program, or made three consecutive full payments in accordance with the program.</li> </ul> <p>Verification that the borrower has made the required three timely payments may include:</p> <ul style="list-style-type: none"> <li>• a loan payment history from the servicer</li> <li>• third-party verification service confirming Mortgage payment history</li> <li>• the latest mortgage account statement from the borrower</li> <li>• a verification of mortgage</li> <li>• the three timely payments must be made in the months due and not as a lump sum payment.</li> </ul> <p>If these requirements are met on an existing mortgage loan being refinanced, the new loan amount can include the full amount required to satisfy the existing mortgage.</p>
Ineligible	<p>Borrowers that will remain in forbearance on any mortgage and not become current as of the note date and borrowers who are currently in a loss mitigation solution who have not yet met the eligibility requirements (see above section) are not eligible for a new mortgage loan.</p>

**Documentation Requirements:** U.S. Bank must continue to review the borrower's credit report to determine the status of all mortgage loans. In addition to reviewing the credit report, U.S. Bank must also apply due diligence for each mortgage loan on which the borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine whether the payments are current as of the note date of the new transaction. **For any loans that are identified as being in forbearance, the above "waterfall" table applies.**

Examples of acceptable additional due diligence methods to document the loan file include:

- a loan payment history from the servicer
- third-party verification service confirming Mortgage payment history
- a payoff statement (for mortgages being refinanced)
- the latest mortgage account statement from the borrower
- a verification of mortgage

**Previous Mortgage History:** U.S. Bank will not consider payments missed related to forbearance resulting from the CARES Act. Mortgage payments that have been reinstated or resolved through a loss mitigation solution will not be subject to the Agency's excessive mortgage delinquency policy. These mortgages will not be required to be downgraded to manually underwritten loans. A borrower may have missed payments related to forbearance, but the loan must be brought current and have 3 monthly on time payments.

**AUS Feedback:** AUS feedback messages will not be updated to reflect these temporary documentation requirements. Agencies have not been updated their AUS engines, LPA and DU, for the COVID-19 temporary guidelines/flexibilities. A separate library was created to house the temporary guidelines/flexibilities.

**COVID-19 Related Forbearance Defined:** COVID-19 related forbearance is defined as a forbearance request covered under the CARES act starting March 27, 2020 until the earlier of the termination date of the national emergency concerning the coronavirus or December 31, 2020. Forbearances dated on or after 3/27/2020 are considered as being associated with COVID-19 and applicable to the new guidelines just released 5/20/2020.

## Loans in Early Forbearance

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

## COVID-19 Borrower Attestation

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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In **SEL-2020-034** published on April 27, 2020, we announced that effective with loans purchased on or after April 27, 2020, U.S. Bank would 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. On May 11, 2020, we announced in **SEL-2020-039** that we were rescinding our original communication, specifically not charging the Agency LLPAs on conventional agency purchase or rate and term refinance loans.

### The purpose of this update is to retract the following important note:

- **Rescinded:** 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 not made and the loan goes into forbearance due to COVID-19, the loan will be subject to Early Payment Default administrative fees and charges.
- **Note:** We further clarify that existing EPD policy remains effective for loans in forbearance. Delinquent/missed payments may trigger EPD fees, despite a COVID-19 related forbearance.

In **SEL-2020-037** published on May 5, 2020, we announced that U.S. Bank would require a COVID-19 Borrower Attestation be included in all loan files beginning with closings on or after May 13, 2020.

### Please note the following updated attestation language:

We recognize that the COVID-19 pandemic has disrupted daily life and has far-reaching personal and economic consequences. We want to ensure you have sustainable homeownership and have the ability to repay your mortgage. The recently passed federal CARES Act provides forbearance protections related to COVID-19 impacted borrower situations for certain federally backed mortgages. Mortgages eligible for those forbearance are those:

- purchased or securitized by Fannie Mae or Freddie Mac;
- insured by the Federal Housing Administration (FHA);
- guaranteed or insured by the Department of Veterans Affairs (VA); or
- guaranteed or insured by the Department of Agriculture (USDA).

It is important that you understand that your new loan may not qualify for CARES Act forbearance until it is securitized or insured as stated above.

We comply with all federal requirements for all residential mortgage loans, including documenting the borrower's/co-borrower's ability to repay the loan, and we require that you attest to the following.

1. You are not aware of any future changes in your employment status and/or income that will affect your ability to repay your loan.
2. The income documentation previously submitted by you to qualify for your loan is unchanged and not affected by the COVID-19 pandemic.

**Guide Update:** We have updated the sample **COVID-19 Borrower Attestation** (attached to this announcement) that can also be found in the Exhibit section of our guides. It is, however, acceptable to utilize an alternative attestation statement provided it contains the required information outlined in the Borrower Attestation.

## 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.

## COVID-19 ATTESTATION

We recognize that the COVID-19 pandemic has disrupted daily life and has far-reaching personal and economic consequences. We want to ensure you have sustainable homeownership and have the ability to repay your mortgage. The recently passed federal CARES Act provides forbearance protections related to COVID-19 impacted borrower situations for certain federally backed mortgages. Mortgages eligible for those forbearance are those:

- purchased or securitized by Fannie Mae or Freddie Mac;
- insured by the Federal Housing Administration (FHA);
- guaranteed or insured by the Department of Veterans Affairs (VA); or
- guaranteed or insured by the Department of Agriculture (USDA).

It is important that you understand that your new loan may not qualify for CARES Act forbearance until it is securitized or insured as stated above.

We comply with all federal requirements for all residential mortgage loans, including documenting the borrower's/co-borrower's ability to repay the loan, and we require that you attest to the following statements.

1. You are not aware of any future changes in your employment status and/or income that will affect your ability to repay your loan.
2. The income documentation previously submitted by you to qualify for your loan is unchanged and not affected by the COVID-19 pandemic.

### **Borrower:**

I, \_\_\_\_\_ (print name), attest to statements 1 and 2 above and that I have read this document in its entirety.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

### **Co-Borrower (if applicable):**

I, \_\_\_\_\_ (print name), attest to statements 1 and 2 above and that I have read this document in its entirety.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

