



Seller Guide Update



SEL-2020-046: Req. and Guidance Related to COVID-19 for Self Employed, Reminder: Loans in NY June 5, 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 for Self Employed Borrowers	2
Reminder: Mortgage Loans Purchased in the State of New York	3
Questions	3

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 for Self Employed Borrowers

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

Effective Date: Effective with applications taken on or after June 11, 2020.

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.

This Seller Guide Update incorporates U.S. Bank's existing policy and the most recent Fannie/Freddie bulletins on qualifying self-employed borrowers. The primary change from the Agencies is that either an audited Profit and Loss (P&L) or unaudited P&L with business bank statements are to be obtained for every self-employed borrower applicant. When the unaudited P&L with business bank statements are provided, the cash flow from business bank statements must support the net income used for qualification.

Determining income stability with additional analysis and documentation

U.S. Bank must comply with the following temporary requirements when assessing income derived from self-employment in order to determine if the Borrower's income is stable and there is a reasonable expectation of continuance. The Mortgage file must include a written analysis of the self-employed income amount and justification of the determination that the income used to qualify the Borrower is stable.

Minimum additional documentation requirements

At a minimum, the following additional documentation must be obtained when assessing income from self-employment:

- An unaudited year-to-date (YTD) profit and loss statement that is signed by the Borrower and reports business revenue (i.e., gross receipts or sales), expenses and net income. The information in the YTD profit and loss statement must cover the most recent month preceding the Application Received Date and be dated no more than 30 calendar days prior to the Note Date, **and**
- Two months business account statements no older than the latest two months represented on the YTD profit and loss statement
 - For example, if the YTD profit and loss statement is through May 31, 2020, the business account statements can be no older than for April and May
 - Personal asset account statements evidencing business deposits and expenses may be used when the Borrower is an owner of a small business and does not have a separate business account, **or**
- An audited YTD profit and loss statement reporting business revenue (i.e., gross receipts or sales), expenses and net income. The information in the YTD profit and loss statement must cover the most recent month preceding the Application Received Date and be dated no more than 30 calendar days prior to the Note Date.
Note: U.S. Bank may need to obtain additional documentation to supplement the minimum required documentation in order to effectively assess the impact of the pandemic on the business.

Reviewing Documentation and Establishing Stable Monthly Income

Correspondent and HFA lenders will follow [Fannie Mae LL-2020-03](#) and [Freddie Mac Bulletin 2020-19](#) guidance.

Business Assets

- No business assets will be allowed for down payment, closing costs or reserves, regardless of impact to business.
- P&L and Balance Sheet dated within 30 days of note date. YTD is required. Additional P&Ls will be required for any tax years not filed. This documentation requirement cannot be waived, and no exception will be allowed.

Reminder: Mortgage Loans Purchased in the State of New York

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

As a reminder, In **SEL-2020-014**, we announced that on December 18, 2019, the New York Department of Financial Services substantially amended [NY Comp. Codes R. and Regs. Title 3, Part 419, the Business Conduct Rules for Servicing Mortgage Loans](#).

This passed legislation impacts loan servicing, including a requirement that mortgage loan servicers send a copy of the borrower's current payment history with the first billing statement on all servicing transfers, including related provisions for loans newly acquired in the State of New York (refer to related payment history requirements in section 419.12(a).)

Effective Date

Effective with mortgage loans with subject properties in the State of New York purchased on and after March 18, 2020, U.S. Bank required that a current and complete payment history be included in the loan file submitted for purchase. Loans that do not contain a current and complete payment history will be conditioned prior to purchase.

Guide Updates: Exhibits, Forms, & 1140: Closing > 1141: Closed Loan Documentation > 1141.1: Conventional Closed Loan and 1141.2: Government Closed Loan Documentation Delivery Requirements

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.