



Seller Guide Update



SEL-2020-052: Freddie Mac Income Calc., Government Extension of Temp. Flexibilities

July 3, 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.



Freddie Mac Income Calculation Change

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 type="checkbox"/>	Conv. (Fannie)
<input 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 July 2, 2020

Freddie Mac announced a change to income calculation in [Bulletin 2020-13](#). For ease of review, the updated sections are listed below, and updated content is in **green**.

5303.2 Primary and secondary employment and income

When a Borrower has less than a two-year history of primary employment, U.S. Bank **must provide justification for determining** that the employment is stable. Underwriting must consider **factors such as income and/or employment characteristics and the overall layering of risk factors, including the Borrower's demonstrated ability to repay obligations.**

Examples that may support less than a two-year history of primary employment include, but are not limited to, the following:

- For a Borrower returning to the workforce after a period of extended absence, for any reason, documentation is provided to support a stable employment history that directly preceded the extended absence
- For a Borrower new to the workforce, documentation is provided that supports the Borrower's recent attendance at school or in a training program prior to their current employment.

When the Borrower's employed income is derived from fluctuating hourly employment earnings, in no event may the employment history be less than 12 months.

For the purpose of determining stable monthly income, fluctuating hourly employment earnings are considered to be **wages that are based on an hourly rate of pay and where the number of hours fluctuate each pay period. The required minimum 12-month history must be derived from either the Borrower's current hourly employment or a combination of current and prior hourly employment.** Fluctuating hourly employment earnings are typically representative of non-exempt earnings.

Fluctuating hourly earnings do not include additional employed income (e.g., **commission**, bonus, overtime, tips). Refer to Section 5303.3 for requirements and guidance pertaining to additional employed income.

Government Extension of Temporary Flexibilities Related to COVID-19

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 checked="" type="checkbox"/>	HFA Delegated
<input checked="" type="checkbox"/>	HFA Non-Delegated
Products	
<input type="checkbox"/>	Conv. (Freddie)
<input type="checkbox"/>	Conv. (Fannie)
<input type="checkbox"/>	Conv. (Portfolio)
<input checked="" type="checkbox"/>	FHA
<input checked="" type="checkbox"/>	VA
<input checked="" type="checkbox"/>	Rural Development

Effective Date: Immediately

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

RD Flexibilities

- 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 August 31, 2020.**

FHA Flexibilities

- Immediately for reverification of employment loans closed on or before **August 31, 2020.**
- Immediately for appraisals completed on or before **August 31, 2020.**

Communication	Topic
SEL-2020-022	<ul style="list-style-type: none"> Temporary Flexibilities for Employment Verifications and Appraisal Requirements for FHA Temporary Flexibilities for Employment Verifications and Appraisal Requirements for RD

VA Flexibilities

The temporary requirements and flexibilities previously announced will remain in effect until VA publishes a rescission date for the following:

Communication	Topic
SEL-2020-022	<ul style="list-style-type: none"> Temporary Flexibilities for Employment Verifications for VA Loans Temporary Flexibilities for Appraisals for VA
SEL-2020-032	<ul style="list-style-type: none"> Temporary Flexibilities for Appraisals for VA Updated and Future SAR Requirements

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

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.