



Seller Guide Update



SEL-2020-093: Multiple Topics

November 27, 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.



Elimination of Portfolio Self-Employed Borrower Restrictions

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

Correspondent Credit Overlay Updates

Underwriting/Delivery	
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<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 checked="" type="checkbox"/>	Conv. (Freddie)
<input checked="" 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

Due to the negative economic impacts of COVID-19, earlier this year we implemented various product and credit guideline changes to our Portfolio lending products. We are pleased to announce that we are eliminating the following Self-Employed Borrower restrictions **effective with Portfolio loans locked on or after December 1, 2020:**

Self-Employed Borrower restrictions on refinance transactions (cash-out or rate-term) eliminated include:

- Minimum 760 FICO score
- Maximum 60% LTV/CLTV
- Maximum TLTV will be based on subordination of existing 2nd liens (no new second mortgages or HELOCs)
- Minimum 12-months reserves for all Self-Employed borrowers.

Guide Updates: 3307 USBHM ELITE 3/1 ARM, 3045 USBHM ELITE 5/1 ARM, 3309 USBHM ELITE 7/1 ARM, 3317 USBHM ELITE 10/1 ARM, 3320 USBHM Investor Paid MI 85% ARM, 3319 USBHM Investor Paid MI 90% ARM, 3776 USBHM 30 year Fixed, 3784 USBHM 20 year Fixed, 3777 USBHM 15 year Fixed, 3783 USBHM Investor Paid MI 85% Fixed, 3782 USBHM Investor Paid MI 90% Fixed

Due to the negative economic impacts of COVID-19, earlier this year we implemented various credit overlays to our Agency and Government products. We are pleased to announce the following updates to our Correspondent Agency and Government credit overlays **effective with loans locked on or after December 1, 2020:**

Agency Overlays removed include:

- Maximum 70% LTV for Cash Out transactions aligning with Agency requirements.
- Minimum 12-months reserves for all Self-Employed borrowers.

Agency Overlays added include:

- Maximum 36% DTI for any Self-Employed borrower who uses business assets for down payment/closing costs or reserves.

Government Overlay added:

- Maximum 36% DTI for any Self-Employed borrower who uses business assets for down payment/closing costs or reserves.

Guide Updates: In addition to the Correspondent Overlay Matrix and the COVID-19 Frequently Asked Questions, the following product guidelines are targeted to be updated on approximately December 4, 2020:

- 3501 FNMA 30 year
- 3502 FNMA 15 year
- 3503 FNMA 20 year
- 3507 FNMA 10 year
- 3519 Home Ready
- 3601 FHLMC 30 year
- 3602 FHLMC 15 year
- 3604 FHLMC 20 year
- 3619 FHLMC 10 year
- 3626 FHLMC Jumbo 30 year
- 3627 FHLMC Jumbo 15 year
- 3776 USBHM 30 year
- 3666 FHLMC 30 yr MH
- 3667 FHLMC 20 yr MH
- 3668 FHLMC 15 yr MH
- 3687 FHLMC Home Possible
- 3691 FHLMC Home Possible
- 1001 FHA 30 year Fixed
- 1002 FHA 15 year Fixed
- 1004 FHA Buydown
- 1105 FHA Jumbo 30 year fixed
- 1024 FHA 5/1 ARM
- 1025 FHA Jumbo 5/1 ARM
- 1020 203K
- 2001 VA 30 year Fixed
- 2002 VA 15 year Fixed
- 2009 VA Jumbo 30 year fixed
- 2024 VA 5/1 ARM
- 3001 USDA 30 year Fixed

VA Interest Rate Reduction Refinance Loans

Underwriting/Delivery	
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<input checked="" type="checkbox"/>	Corr. Non-Delegated
<input type="checkbox"/>	Corr. EZD
<input checked="" type="checkbox"/>	Corr. Mandatory
<input checked="" type="checkbox"/>	HFA Delegated
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Products	
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<input type="checkbox"/>	FHA
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Independent Appraisal Review

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

Rural Development Handbook Update Chapter 6

Underwriting/Delivery	
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<input type="checkbox"/>	Corr. Non-Delegated
<input type="checkbox"/>	Corr. EZD
<input checked="" type="checkbox"/>	Corr. Mandatory
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<input checked="" type="checkbox"/>	Rural Development

Effective with locks on and after December 1, 2020, U.S. Bank will permit VA IRRRL non-U.S. Bank to U.S. Bank transactions based on the following parameters:

Non-U.S. Bank to U.S. Bank		
Occupancy	Maximum Loan Amount	Minimum FICO
Primary	\$750,000	680

Guide Update: VA Product Guidelines (VA 2001 - 30 YR FIXED, VA 2002 - 15 YR FIXED, VA Jumbo 2009 - 30 YR FIXED, VA ARM 2024 - 5/1 ARM) will be updated on approximately December 4, 2020.

U.S. Bank Home Mortgage recently completed a periodic review of our Independent Appraisal Review forms. Minor updates were completed and a revised version of the Independent Appraisal Review Form is available for lender access in the Correspondent Seller Guide, however; you are not required to use this specific form.

As a reminder, U.S. Bank Home Mortgage will require that all Delegated Non-Agency (Portfolio) loans submitted for purchase include a copy of an **Independent Appraisal Review Form** that is used in evaluating the compliance of the Appraisal and the Valuation Estimate with the Interagency Appraisal and Evaluation guidelines.

The completed form or checklist your company utilizes for the appraisal review must be part of every loan package submitted for purchase. The form must be fully completed and is required to be signed and dated by an underwriter or an underwriting manager. Any loan without a fully completed Independent Appraisal Review Form may delay the purchase of your loan. Documentation of compliance with the Interagency Guidelines on appraisals is required to be in the file for all Delegated Non-Agency (Portfolio) Loans

Guide Section: U.S. Bank Correspondent Seller Guide > 1100: Exhibits, Forms, & Checklists > 1110: Underwriting > 1114: UW Appraisal Review Checklists and Guide > 1114.7: Independent Appraisal Review Form

Rural Development (RD) has announced updates to Chapter 6 Loan Purposes of the SFH Guaranteed Loan Program Technical Handbook HB-1-3555 per [Procedure Notice 544](#). Clarifications are listed by paragraph in the Procedure Notes.

The updated versions of the chapters are located on [RD HB-1-3555 SFH Guaranteed Loan Program Technical Handbook](#).

Guide Updates: The USDA Product Guideline (3001) will be updated in AllRegs with a targeted publication within one week.

Requirements and Guidance Related to COVID-19 for Self Employed Borrowers

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
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Effective Date: Effective with locks on or after December 1, 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. Please read through this update in its entirety as multiple items have been updated since this topic was last addressed. For ease of finding these changes, the updated guidance is notated in **green** below.

Determining income stability with additional analysis and documentation

U.S. Bank must comply with the following Agency 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:

Option 1: U.S. Bank is required to determine if the business revenue documented in the unaudited YTD profit and loss statement supports the level of revenue documented on the business account statements.

- 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 60 calendar days prior to the Note Date, and
- **Three** months business account statements no older than the latest three months represented on the YTD profit and loss statement
 - For example, if the YTD profit and loss statement is through **October 31, 2020**, the business account statements can be no older than **Aug, Sept and Oct**.
 - 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...

Option 2:

- 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 60 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.

If the borrower is using any source of Self-Employed income (indicated by 25% or more ownership interest) the minimum documentation requirement applies to all Self-Employed businesses with 25% or more ownership, regardless if an income source is relied upon for income qualification or not.

When using a borrowers W2 (non-Self Employed) income and the borrower or spouse has a secondary (e.g. in home sales) Self-Employed business, when no income from this business is being used for loan qualification, this business can be disregarded and no additional documentation is required.

Reminder: For Portfolio only, a YTD Balance Sheet dated within 60 days of note date 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.

Guide Update: COVID-19 Frequently Asked Questions

Business Assets Used for Down Payment/Closing Costs/Reserves

Underwriting/Delivery	
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Effective Date: Effective with locks on or after December 1, 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. For ease of finding these changes, the updated guidance is notated in green below. This policy will be a U.S. Bank Overlay for all government loans.

Business Assets Used for Down Payment/Closing Costs/Reserves: When a self-employed Borrower intends to use business assets for down payment, closing costs or reserves, the impact on the business from the withdrawal of funds must be evaluated to determine the continued viability of the business and/or the need for paying back those funds from the borrower.

U.S. Bank will require a letter from a CPA or Business Banker certifying that the business will not be harmed operationally from the reduction of business funds **and the business will retain sufficient liquidity to sustain operations for the foreseeable future (minimum 6 months.)** Along with the letter, we will require the CPA or Business Banker to provide a cash flow analysis to document and support that removal of the funds does not have a negative effect on the business. An alternative to obtaining a CPA/Business Banker letter (and cash flow analysis) is the "Business Liquidity Analysis Worksheet" and has the following requirements:

This option is only available when the proposed borrower is the majority owner with at least a full year of filed tax returns reflecting the business activity. If applicable, written authorization from the minority owner(s) must be provided to allow unlimited access to the business assets.

- The worksheet will require documenting a minimum of 6 months of the borrower's business account statements preceding the application date. There will be no exceptions to the 6 month documentation requirement.
- If the business has more than one depository account, there are advantages in documenting all accounts even though the withdrawal of assets will not involve all accounts. The asset documentation may likely exceed DU or LP criteria outlined for the transaction.
- **Remaining liquidity must be greater than 6 months business operating expenses is acceptable for approval. There will be no exceptions to the 6 month liquidity requirement.**

Reminder: Proceeds from a SBA PPP loan or any other similar COVID-19 related loan or grant are not considered business assets and cannot be used as down payment, closing costs or reserves.

Maximum DTI: For any Self-Employed Borrower who uses business assets for down payment/closing costs or reserves:

- **Maximum DTI will be reduced to 36%**

Correspondent Portfolio Loans: **No business assets will be allowed for down payment, closing costs or reserves, regardless of impact to business.**

Guide Updates: Impacted product guidelines are outlined earlier in this announcement within the Correspondent Overlay updates. The HFA Overlay Matrix will also be updated.

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.