



# Seller Guide Update



SEL-2021-004: Multiple Topics

January 29, 2021

- 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.



## Non-Permanent Resident Alien Changes for Agency and FHA Loans

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 checked="" type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

### Effective Dates:

- **Agency/FHA Expanded Visa and Documentation Criteria:** Effective immediately including all loans in the pipeline for non-delegated lenders. No changes for delegated lenders who will continue to follow their own interpretation of Fannie Mae, Freddie Mac and FHA guidelines.
- **FHA Announced DACA Change:** Effective with applications or case numbers assigned on or after January 19, 2021

Agency and FHA loans require that a lender document the borrower's ability to legally reside and legally work in the United States. U.S. Bank has evaluated the existing Non-Permanent Resident Alien Credit Policy for Conventional Agency and FHA loans. We are announcing the following expansions:

- **Agency/FHA Expanded Visa and Documentation Criteria:** When a borrower meets U.S. Bank Home Mortgage's recently expanded Visa Criteria and Employment Authorization Document (EAD) requirements, the loan will follow the applicable product guidelines for the LTV/TLTV/HTLTV.
- **FHA:** Per [FHA Info 21-04](#), DACA borrowers are eligible for FHA mortgages when FHA requirements are met.

### Definitions

- A Non-Permanent Resident Alien (NPRA) is a foreign citizen who is permitted to reside in the United States and may have been granted authorization to work by the U.S. Citizenship & Immigration Service (USCIS).
- A Deferred Action for Childhood Arrivals (DACA) classification with the USCIS are granted to individuals who were brought to the United States as children and allows the individual to become eligible for a work permit in the United States.

### Conventional Agency

For Conventional Agency loans, we have created a new section within our Underwriting Guidelines called 713.5.1 NPRA Documentation Requirements when Using a USCIS or Visa Document. Within that section, we have defined the USCIS/Visa Classification, Visa Type, Description and if an EAD is required in conjunction with that specific USCIS/Visa Classification.

This allows us to expand our offerings and lend on more USCIS/Visa Classifications if the documentation requirements are met.

**The credit requirements for Non-Permanent Resident Aliens have been updated as follows:**

Credit Requirements:
<ul style="list-style-type: none"> <li>• Follow the maximum LTV requirements outlined in <i>713.5.1 NPRA Documentation Requirements when Using a USCIS or Visa Document</i> for the Borrower's USCIS or Visa Classification.</li> </ul>
<ul style="list-style-type: none"> <li>• Meets documentation requirements outlined in <i>713.5.1 NPRA Documentation Requirements when Using a USCIS or Visa Document</i> for the Borrower's USCIS or Visa Classification.</li> </ul>
<ul style="list-style-type: none"> <li>• SSN required (Tax ID Numbers will not be accepted).</li> </ul>
<ul style="list-style-type: none"> <li>• Must have an AUS Approval – No manual underwrites allowed.</li> </ul>
<ul style="list-style-type: none"> <li>• Standard Agency requirements for Credit, Employment and Income apply.</li> </ul>
<ul style="list-style-type: none"> <li>• Non occupant co-borrowers are not allowed.</li> </ul>
<ul style="list-style-type: none"> <li>• All funds for closing, down payment and reserve must be held in U.S. financial institution.</li> </ul>

## Non-Permanent Resident Alien Changes for Agency and FHA Loans, continued

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 checked="" type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

## FHA

Effective with applications or case numbers assigned on or after January 19, 2021, FHA is permitting individuals classified under DACA program and who are legally permitted to work in the United States to be eligible to apply for mortgages backed by the FHA.

Other FHA requirements remain in effect for all potential borrowers including DACA status recipients.

In addition, for loans underwritten by U.S. Bank, we have created a new section within our Underwriting Guidelines called *711.3.1 NPRA Documentation Requirements when Using a USCIS or Visa Document*. Within that section we have defined the USCIS/Visa Classification, Visa Type, Description and if an EAD is required in conjunction with that specific USCIS/Visa Classification.

This allows us to further align our documentation requirements with FHA when a borrower has a Visa, an EAD or both a Visa and an EAD.

**The credit requirements for Non-Permanent Resident Aliens, including DACA borrowers, have been updated as follows. Items in green below reflect overlays that have been added to the Correspondent and HFA Overlay Matrices.**

Credit Requirements:
<ul style="list-style-type: none"> <li>Meets Evidence of Eligibility to Work requirements outlined in <i>711.3.1 NPRA Documentation Requirements when Using a USCIS or Visa Document</i> for the Borrower's USCIS or Visa Classification.</li> </ul>
<ul style="list-style-type: none"> <li>The Mortgage is secured by a 1-unit property and all borrowers must occupy as their primary residence.</li> </ul>
<ul style="list-style-type: none"> <li>Purchase and Rate Term/Simple/Streamline Refinances of Primary Residences only. Cash Out not allowed.</li> </ul>
<ul style="list-style-type: none"> <li>SSN required (Tax ID Numbers will not be accepted).</li> </ul>
<ul style="list-style-type: none"> <li><b>Must have a two year U.S. credit history</b> and valid FICO score.</li> </ul>
<ul style="list-style-type: none"> <li>Standard FHA requirements for Credit, Employment and Income apply.</li> </ul>
<ul style="list-style-type: none"> <li><b>If the NPRA does not have a two year U.S. credit history and valid FICO score, the NPRA must be a co-borrower with a U.S. Citizen or permanent resident alien and all of the following apply (This policy does not apply to products that require a minimum credit score for all Borrowers).</b> <ul style="list-style-type: none"> <li><b>One borrower on the transaction must have a usable credit score.</b></li> <li><b>Borrowers with a usable credit score contribute more than 50% of the total monthly income used to qualify.</b></li> <li><b>Borrowers without a useable credit score cannot be self-employed.</b></li> <li><b>For all borrowers without a usable credit score, all debt that is not reported to the credit repositories must be verified to have satisfactory payment history and the payment must be included in the monthly DTI.</b></li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>All funds for closing, down payment and reserve must be held in U.S. financial institution.</li> </ul>

## Conventional Portfolio, VA and RD

The existing policies remain unchanged.

**Guide Updates:** 711.3 FHA – Eligible Borrowers, 711.3.1 FHA – NPRA Documentation Requirements when Using a USCIS or Visa Document, 713.5 Agency – Eligible Borrowers, 713.5.1 Agency – NPRA Documentation Requirements when Using a USCIS or Visa Document, Correspondent Overlay Matrix, HFA Overlay Matrix

## Properties with Solar Panels

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

**Effective Date:** Immediately

When considering properties with solar panels, U.S. Bank must take into consideration ownership of the solar panels and any liens upon the property relating to debt or lease payments used to obtain the solar panels. U.S. Bank must review any UCC-1 Financing Statement or lease agreement associated with the solar panels to determine if liens are against the real estate or against the solar panels themselves. The property must maintain access to electrical utilities consistent with community standards. To provide consistency in these requirements, U.S. Bank Home Mortgage is adopting the following requirements when solar panels are present on the property based on whether the solar panels are leased, financed or owned:

	Solar Power Purchase Agreement (PPA)	Solar Panel Lease	Solar Panels Financed as Personal Property	Solar Panel Financed as a Fixture to Real Estate	Solar Panels Owned Free and Clear
<b>Description</b>	The Borrower purchases power produced by the solar panels, and the Borrower is not the owner of the solar panels.	The Borrower does not own the solar panels and the Borrower pays monthly lease payments to have access to the solar panels.	The Borrower owns the solar panels, purchased the solar panels with a note/security agreement and is entitled to power produced by the panels.		Borrower owns the solar panels and has no related debt.
<b>Title</b>	UCC-1 Financing Statement or lease agreement associated with the solar panels recorded in the applicable land records and claiming an interest in the solar panels but not the real estate; the Seller does not need to obtain a subordination agreement of the UCC-1 Financing Statement.			UCC-1 Financing Statement recorded against title to the Mortgaged Premises, creating a lien on the real estate itself (i.e., claiming an interest in both the solar panels and the real estate, not just the solar panels); it must be subordinated or released.	There must be no UCC-1 Financing Statement or notice recorded against the Mortgage Premises.  In the event there is a UCC-1 Financing Statement, it must be released.
<b>Appraisal</b>	The solar panels must not be included in the appraised value of the property.  The appraiser must comment on the marketability of the home with solar panels present and identify solar panels and system features.		The solar panels must not be included in the appraised value of the property if the lender may repossess the solar panels for default on the financing terms.		Seller must ensure the appraiser has recognized the existence of the solar panels and considered the solar panels in the appraiser's opinion of the market value of the property.

**Properties with Solar Panels, continued**

	Solar Power Purchase Agreement (PPA)	Solar Panel Lease	Solar Panels Financed as Personal Property	Solar Panel Financed as a Fixture to Real Estate	Solar Panels Owned Free and Clear
Debt payment-to-income (DTI) ratio	<p>Lease payments for solar panels may be excluded from the monthly DTI ratio if the lease:</p> <ul style="list-style-type: none"> <li>Provides for delivery of a specific amount of energy for an agreed upon payment during a given period, and</li> <li>Includes a production guarantee under which the Borrower is compensated on a prorated basis when the energy produced by the solar panels is less than the level required by the lease agreement</li> <li>Payments for solar panels subject to a PPA or similar type of agreement may be excluded from the monthly DTI ratio if the payment is calculated based only on the generated energy.</li> </ul>		Payment to solar company or lender is included in the DTI ratio		N/A – no payment required
Total loan-to-value (TLTV) ratio	Not included in the TLTV ratio		Included in the TLTV ratio		N/A
Obtain a copy of the lease, PPA or note/security agreement	<p>Damage that occurs as a result of installation, malfunction, or the removal of the solar panels is the responsibility of the owner of the equipment. The owner must be obligated to repair the damage and return the improvements to their original or prior condition.</p> <p>In the event of foreclosure, U.S. Bank may:</p> <ul style="list-style-type: none"> <li>Terminate the lease agreement or PPA and require the owner of the equipment to remove the panels and supporting equipment</li> <li>Become the beneficiary of the Borrower's lease agreement or PPA without incurring a transfer fee; or</li> <li>Enter into a new lease agreement or PPA with the owner of the equipment under terms no less favorable than the existing lease agreement or PPA</li> </ul>				N/A
Homeowner's Insurance	The owner of the solar panels agrees to not be a loss payee (or named insured) on the homeowner's insurance policy covering the property.				N/A

**Portfolio and Government Loans:** A similar chart has been placed in Portfolio, FHA, VA and RD guidelines outlining the solar panel requirements when they are present on the property based on whether the solar panels are leased, financed or owned. No policy change has occurred.

**Guide Updates:** 711.12 FHA – Eligible Properties, 712.13 VA – Eligible Properties, 713.17 Agency - Eligible Properties, 714.1.9 Portfolio – Properties, 715.12 RD – Eligible Properties

## Tax Proration Credit

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

As a clarification to current policy, pro-rated tax credits provided by the seller at closing in places where real estate taxes are paid in arrears cannot be used to determine if borrower has funds for the transaction. In addition, pro-rated taxes are not an interested party contribution. This is no change from current policy only clarification.

### Tax Proration Credit

Purchase transactions often result in Seller tax proration credits to the borrower at closing. All loan products allow these credits to reduce the borrower's funds at closing however, the funds from the prorated tax credits **do not** meet the borrower's minimum investment required for down payment, closing costs and prepaids. Verification of borrower's own assets is required.

1. Borrower's down payment, closing costs, and prepaids total \$5000. Borrower has \$6000 savings verified. Tax credit at closing is \$1000. Borrower may bring \$4000 to closing.
2. Borrower's down payment, closing costs, and prepaids total \$5000. Borrower has \$4000 savings verified. Tax credit at closing is \$1000. Borrower is short own funds therefore doesn't meet required investment. Borrower must have an additional \$1000 own funds.
3. Borrower's down payment, closing costs, and prepaids total \$5000. Borrower has \$4000 savings verified and \$2000 stocks. Tax credit at closing is \$1000. Borrower may bring \$4000 to closing and liquidation of stocks is not required.

**Government Loans:** This policy aligns with current FHA, VA and RD tax proration credit policy published in Underwriting guidelines.

**Guide Update:** 713.8 Agency – Funds for Closing, 714.1.6 Portfolio – Funds for Closing

## RD New GUS and Redesigned URLA

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

For complete details regarding U.S. Bank's acceptance of the redesigned URLA, refer to **SEL-2020-100**.

**Effective Date:** Conditional Commitments issued after February 26, 2021

Rural Development (RD) Single Family Housing Guaranteed Loan Program (SFHGLP) is implementing the new Guaranteed Underwriting System (GUS) with the new URLA on March 1, 2021.

**Conditional Commitments:** RD is converting to a New GUS and any loan with Conditional Commitments not issued as of February 26, 2021 must be submitted to the New GUS. The time frame for the conversion is:

- **February 26, 2021** - Close of business legacy GUS no longer available for editing or processing applications. It will be view only access for one year.
- **February 27-28, 2021** - SFHGLP systems will be unavailable to transition to the new GUS.
- **March 1, 2021** - New GUS goes live. Existing applications in legacy GUS that have not received a Conditional Commitment will require the application to be entered into the new GUS.

SFHGLP is receiving record volume and may not be able to review all applications submitted prior to February 26, 2021 closing of Legacy GUS, however all complete applications received by February 1, 2021 will be issued a Conditional Commitment. Monitor posted turn times on the RD website to make determination of ability to receive a Conditional Commitment before February 26, 2021 closing of legacy GUS.

If an application in legacy GUS has not received a Conditional Commitment by the close of business on February 26, 2021, the application will need to be re-entered into the new GUS.

**GUS Access:** Users with access to legacy GUS will be automatically granted same access level to the new GUS. No new logging credential or user setup is required.

**New GUS Entry:** Entering the application into new GUS can be done by importing the FNMA DU MISMO 3.4v1.8.1 XML file or manually entering the application.

## Correspondent Product Guideline Updates

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

The following Correspondent Product Guides have been clarified as follows:

Product Guide	Description of Updates	Effective Date
<b>Portfolio Jumbo</b>	<ul style="list-style-type: none"> <li>Updated Investor Paid MI Portfolio Jumbo to include Nevada as an eligible property.</li> <li><b>Impacted Product Guidelines:</b> 3319, 3320, 3782, 3783</li> </ul>	New locks on/after 2/1/21
<b>Agency (Fannie Mae and Freddie Mac) and FHA 203K</b>	<ul style="list-style-type: none"> <li><b>Clarification of Maximum Loan Amount:</b> <ul style="list-style-type: none"> <li>U.S. Banks maximum loan amount for Agency and FHA products is \$1,000,000. The following product guidelines have been updated to more clearly reflect this policy.</li> </ul> </li> <li><b>Impacted Product Guidelines:</b> <ul style="list-style-type: none"> <li>Freddie Mac: 3601, 3602, 3604, 3619, Home Possible (3687, 3691)</li> <li>Fannie Mae: 3501, 3502, 3503, 3507</li> <li>Note: Home Ready not impacted as only 1-2 unit allowed.</li> <li>FHA 203K: 1020</li> </ul> </li> </ul>	New locks on/after 2/1/21

## Mortgage Insurance Certification

As a reminder, lenders must notify the respective Mortgage Insurance (MI) company once a loan closes in order to activate the MI Certification.

As MI companies are now strictly enforcing the requirement of activation within 15- to 30-days after closing, lenders must also remit any premium that may be due (i.e., single-premium) within the 15- to 30-day time period, if applicable. Failure to notify the Mortgage Insurance company of loan closing and remit premium, if applicable, may result in MI cancellation. Closing notification and premium received after 15- to 30-days may require a payment history and Verification of Employment (VOE).

## 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.