



Seller Guide Update



SEL-2020-082: Multiple Topics

October 2, 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.



Updated: Eligibility for Sale of Loans in a COVID-19 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 type="checkbox"/>	Conv. (Portfolio)
<input type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

Update: 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

Agency Extension of Temporary Flexibilities Related to COVID-19

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

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 including the following:

The following information is an update to U.S. Bank's SEL-2020-061 (July 31st), SEL-2020-067 (August 11th), and SEL-2020-080 published on September 13th:

- **Extension of Temporary Requirements for Purchase of Mortgages in Forbearance**

On September 24, 2020, [Freddie Mac \(Bulletin 2020-37\)](#) and [Fannie Mae \(LL-2020-06\)](#) issued updates that aligned and extended the temporary requirements for purchase of mortgages in forbearance, specifically extending the eligible Note date until **October 31, 2020**.

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](#) requiring that subject properties in the State of New York purchased on and after March 18, 2020, have a current and completely payment history in the loan file submitted for purchase.

Since that time, additional legislation has been passed that further removes this requirement **effective immediately**.

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

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

We are extending the temporary requirements and flexibilities previously announced that were **effective for application received dates through September 30, 2020 to mortgages with application received dates through October 31, 2020 for the following:**

Communication	Topic
SEL-2020-021	<ul style="list-style-type: none"> • Correspondent: Temporary Flexibilities for Appraisals • HFA: Temporary Flexibilities for Appraisals • Temporary Flexibilities for Employment Verifications
SEL-2020-027	<ul style="list-style-type: none"> • Temporary Credit Underwriting Requirements for Agency Loans • Temporary Flexibilities for Agency Appraisals on New Construction Properties
SEL-2020-029	<ul style="list-style-type: none"> • Clarification: Temp. Credit Underwriting Requirements for Agency Loans – Investment Properties

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

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

As a reminder and to provide additional clarity to **SEL-2020-074**, please note the items highlighted in **red** below.

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.

Overlay Removal: This update removed our previous overlay requirement for Freddie Mac and Fannie Mae as announced in SEL-2020-046 requiring an audited P&L or unaudited P&L with business bank statements to be dated no more than **60** calendar days (previously 30 calendar days) prior to the Note Date.

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 **or a loss** from self-employment. **For all businesses in which a borrower owns 25% or more, and whether or not income is being used to qualify, the following is required:**

- 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/**loss**. 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**
- 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 (prepared by a licensed accountant)** 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 Note Date.

Documentation Requirements:

- **Portfolio: P&L and Balance Sheet is required for all businesses in which the borrower owns 25% or more dated within 60 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.**
- **Agency: Balance sheet is not required.**

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.

Guide Update: COVID-19 Frequently Asked Questions

Correspondent Overlay Matrix

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
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Construction Conversion Offering

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	
<input checked="" 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

Questions

We have clarified the following item on the Correspondent Overlay Matrix:

- **Income Commencing After Note Date/Effective Income 713.7** - Freddie Mac: Future income (Option 2) not allowed due to delivery complexities.

As a point of clarification, please note that U.S. Bank's Construction Conversion offering (which includes Integrated documentation and Modifications where a new Note is not required) that meet Freddie's definition of a refinance are not subject to the 50 basis point Adverse Market Refinance Fee LLPA.



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.
