



Seller Guide Update



SEL-2020-009: Multiple Topics

February 14, 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 otherwise 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.



New Correspondent Closed Loan Documentation Checklists

As part of our ongoing commitment to continued process improvements, we have implemented new and improved Correspondent Conventional and Government Closed Loan Documentation Checklists. As part of the improvements, we have streamlined the FHA, VA, and USDA checklists into a single Government Closed Loan Documentation Checklist.

Guide Update: U.S. Bank Correspondent Seller > 1100: Exhibits, Forms, & > 1140: Closing > 1141: Closed Loan Documentation > [1141.1: Conventional Closed Loan](#) and [1141.2: Government Closed Loan](#)

Reminder: VA Cash Out Updates

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

In **SEL-2020-004**, we announced clarifications to previously communicated VA cash out updates effective immediately including the elimination of our recently announced overlay restriction of 80% LTV/CLTV/HCLTV.

We also announced that we will now follow the Ginnie Mae cap of 90% LTV/CLTV/HCLTV with the exception of those items shown below and previously outlined.

As a reminder, we clarified the effective date of immediately, which included loans currently in the pipeline.

In order to provide lenders ample time to work through their respective pipeline of loans, non-delegated VA cash out loans originated to the previous guidelines, with an LTV exceeding 80%, must be registered by and submitted to U.S. Bank Underwriting Department **no later than February 18, 2020.**

Non Delegated Underwriting Only

As previously announced, we are restricting VA loans that are true cash-out or debt consolidation refinances to a maximum LTV of 80%, aligning with FHA and Conventional cash out definitions.

Non-Delegated Underwriting guidelines have been updated as follows:

- LTV/CLTV/HCLTV > 80.01-90% only allowed when loan proceeds are used for:
 - Payoff
 - existing first mortgage
 - Junior liens used in their entirety to acquire the subject property
 - Pay:
 - Closing costs and/or
 - Disbursement of cash to the borrower (or any other payee) not exceeding the greater of 1% of the new refinance or \$2,000

Reminder – Client Support

If you have a non-delegated VA cash out loan (one U.S. Bank will underwrite) with an LTV exceeding 80% that meets the above guidelines, please contact the Client Support team for assistance in completing the registration/lock. Registrations and/or locks on loans approved using your VA underwriting approval will not be affected.

**Reminder:
Assets used for
Repayment
(Asset
Dissipation
Underwriting)**

| 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 |

In SEL-2019-067, we announced the requirements specific to Assets used for Repayment (Asset Dissipation Underwriting). We would like to remind lenders of the update as outlined below:

The OCC issued a bulletin to all Banks regarding Asset Dissipation (Retirement and Non-Retirement) as a form of income to qualify borrowers for mortgage loans retained in Portfolio or sold into the Secondary Market (including Agency loans). This bulletin placed new requirements on the lender when asset dissipation income is used that would mean additional costs and process and system changes for U.S. Bank to be able to comply.

U.S. Bank discontinued the acceptance of loans utilizing Asset Dissipation **effective with new loan reservations and/or locks taken on or after January 6, 2020.**

Agency Loans

U.S. Bank is adding an overlay to the Agency guidelines and will not allow asset dissipation to be a form of income used to qualify the Borrower.

Government/Portfolio Loans

No changes; Asset Dissipation is not currently allowed on Government and Correspondent Portfolio Loans.

Guide Update: 713.7 Agency - Effective Income, Correspondent and HFA Overlay Matrices will be updated on the effective date.

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.
