



# Seller Guide Update



SEL-2023-072: Multiple Topics

December 15, 2023

- 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 Lending Guides, specific to Loan Delivery, Underwriting and Credit Policy.

**U.S. Bank Correspondent Seller and HFA 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 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 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 include underwriting and delivery method checkboxes to each section when applicable.

You'll also find a grid that outlines the applicable products.

## Effective Date

Immediately unless otherwise noted within each section below.



## Updates to Deed Restriction Requirements

Underwriting/Delivery	
X	Corr. Delegated
X	Corr. Non-Delegated
X	Corr. EZD
X	Corr. Mandatory
X	HFA Delegated
X	HFA Non-Delegated
Products	
X	Conv. (Freddie)
X	Conv. (Fannie)
	Conv. (Portfolio)
	FHA
	VA
	Rural Development

**Effective Date:** Immediately

U.S. Bank is making the following changes to our deed restriction policy for Agency loans in support of affordable housing.

### General Requirements for Properties Subject to Resale Restrictions with Shared Equity

Currently, U.S. Bank does not allow any deed restrictions with a shared equity requirement.

We are updating our policy to allow for shared equity when it is **through a governmental entity, such as a city, county, or municipality.**

As a reminder, all properties subject to resale and/or deed restriction programs (approved by Delegated Lender or U.S. Bank underwriting) as well as Subsidy Provider Programs (approved by Delegated Lender or on the U.S. Bank Approved Assistance List) will require approval. (When the lender is delegated, there is no additional approval needed from U.S. Bank. Delegated lenders are able to approve both the deed restriction and the Subsidy Provider Program.)

With this change, for all properties with income and resale price restrictions, the Shared Equity Amendment (Form 2200) will be required. Form 2200 must be executed by the borrower(s), the lender, and the shared equity provider (and any other parties signing the original instrument imposing the income and resale price restrictions) before being recorded.

In addition, all shared equity loans with income and resale price restrictions that use the 2021 Model Declaration of Affordability Covenants with Refinance and Resale Restriction and Purchase Option (“model deed restriction form”), must be delivered with Special Feature Code (SFC) 177 in addition to the SFC/IFI codes.

### Private Transfer Fees

Currently, U.S. Bank is prohibited from purchasing or making mortgages from shared equity programs if the sponsoring organization charges a private transfer fee when the homeowner transfers their property to a new, program eligible buyer.

U.S. Bank can now purchase or make mortgages with a private transfer fee when the following requirements are met:

- The Mortgage is a shared equity loan (**through a governmental entity, such as a city, county, or municipality.**)
- A Shared Equity Review is completed and approved by Delegated Lender or a U.S. Bank Credit Manager or a Production Credit Risk Manager utilizing the Deed Restriction Worksheet.

**Guide Updates:** 713.17 Agency – Eligible Properties; Correspondent and HFA Overlay Matrices;

## VA Update: Chapter 4

Underwriting/Delivery	
X	Corr. Delegated
X	Corr. Non-Delegated
	Corr. EZD
X	Corr. Mandatory
X	HFA Delegated
X	HFA Non-Delegated
Products	
	Conv. (Freddie)
	Conv. (Fannie)
	Conv. (Portfolio)
	FHA
X	VA
	Rural Development

## Reminder: High Risk Appraisal Review Requirements

Underwriting/Delivery	
X	Corr. Delegated
X	Corr. Non-Delegated
	Corr. EZD
X	Corr. Mandatory
	HFA Delegated
	HFA Non-Delegated
Products	
X	Conv. (Freddie)
X	Conv. (Fannie)
	Conv. (Portfolio)
X	FHA
	VA
X	Rural Development

**Effective Date:** Immediately

VA recently updated Chapter 4-Credit Underwriting in the Lenders Handbook regarding Collections.

### Medical/Non-medical Collections

Medical collections and medical charge offs that are not judgements or liens are not required to be paid off. No explanation from the borrower is needed and should not impact the overall acceptability of the borrower's credit.

Non-medical collection accounts without established payment arrangements must be calculated with a monthly payment using 5% of the outstanding balance of the collection. Borrowers with a history of collections should have re-established satisfactory credit to be considered a satisfactory credit risk. Underwriters must address the non-medical collection account(s) and justify the approval on VA Forms 26-6393 Loan Analysis when negative credit history exists. Please refer to VA Lenders Handbook Chapter 4 Credit Underwriting for details.

**Guide Update:** 712.9 VA – Credit/Debt Underwriting (Remove Overlay); Correspondent Overlay Matrices, HFA Overlay Matrices

In **SEL-2023-067** published on November 20, 2023, When a Conventional Agency, FHA or USDA loan is registered in Lender Portal, an evaluation of loan criteria is performed to determine if additional information is required. Loans are determined high risk through our enhanced collateral protection review, which utilizes sophisticated fraud detection tools to identify high risk loans that should receive additional review prior to purchase.

Based on this evaluation which includes Fannie Mae's Collateral Underwriter® (CU®) appraisal valuation tool for Conventional loans, if a loan is determined to be high risk (see notification process in SEL-2023-067), U.S. Bank will soon require the following collateral documentation (full appraisal and/or Submission Summary Report (SSR)) as applicable per the products below) for Conventional Agency, FHA or USDA loans registered on and after January 1, 2024:

### FHA/USDA

Product	High Risk Collateral Review Requirement
FHA	<ul style="list-style-type: none"> <li>Full appraisal will be required.</li> </ul>
USDA	<ul style="list-style-type: none"> <li>Full appraisal will be required.</li> </ul>

### Conventional Agency

Product	High Risk Collateral Review Requirement
Conventional Agency	<p>Full appraisal/Fannie Mae Appraisal Submission Summary Report (SSR) will be required:</p> <ul style="list-style-type: none"> <li><b>Loans with Fannie Mae CU scores of 3.5 or lower</b>, will <u>not</u> require additional collateral screening.</li> <li><b>Loans with Fannie Mae CU scores of 3.6 or greater (including those with no score)</b> will require additional collateral screening.</li> </ul> <p><b>Best Practices – First-Generation Appraisal</b></p> <p>We strongly encourage lenders to upload the SSR and first-generation appraisal as separate documents. Refer to the <b>Appraisal Review Best Practices</b> document which provides additional information regarding verifying first-generation status.</p>

For loans registered prior to January 1, 2024, appraisals must be submitted to U.S. Bank prior to December 21, 2023. If the appraisal is not received by December 21<sup>st</sup>, it will follow the new process.

Please refer to **SEL-2023-067** for complete details including High Risk Review Email Notification (via Lender Portal), and High Risk Review Loan Condition impacts.

## Disaster Area Declarations

Underwriting/Delivery	
X	Corr. Delegated
X	Corr. Non-Delegated
X	Corr. EZD
X	Corr. Mandatory
X	HFA Delegated
X	HFA Non-Delegated
Products	
X	Conv. (Freddie)
X	Conv. (Fannie)
X	Conv. (Portfolio)
X	FHA
X	VA
X	Rural Development

The following counties have been declared as Presidential Disaster Areas with Individual Assistance.

- Agency, Portfolio, VA, and RD loans with subject properties located in counties listed below that have not CLOSED by the Disaster Declaration Date must follow the requirements listed in AllRegs.
- FHA loans with subject properties located in the counties listed below that have not been ENDORSED as of the Disaster Declaration Date must follow the FHA requirements listed in AllRegs.

Declaration Date	State	County
December 14, 2023	TN	Davidson, Dickson, Montgomery, Sumner

**Guide Section:** 711.20 FHA – Natural Disaster Procedures, 712.21 VA - Natural Disaster Procedures, 713.20 - Natural Disaster Procedures, 714.1.10 - Natural Disaster Procedures, 715.20 RD - Natural Disaster Procedures

## 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.