Seller Guide Update

SEL-2026-38: Multiple Topics

November 16, 2026

☒ Correspondent Lending
☒ Housing Finance Agency (HFA)

Table of Contents

The following topics are included in this update:

Payday Loans 2
Update to Portfolio Underwriting Guidelines 3
Agency Underwriting Changes 5
Questions 6

Summary



U.S. Bank Correspondent Seller and HFA Lending Guides

The items listed above have recently been updated in the Correspondent Seller and HFA Lending Guides, specific to Loan Delivery, Underwriting and Credit Policy.

- 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 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 always be utilized as the source of truth.
- As a reminder, U.S. Bank publishes a monthly summary of all Correspondent and HFA communications published for the previous month. This summary is intended to assist you in making sure your organization received and read all U.S. Bank communications published during the prior month. All documents are published in our Correspondent and HFA Communications libraries in Section 1000 of AllRegs:
  - 1010: Bulletins
  - 1011: Seller Guide Updates
  - 1012: Best Practices
  - 1013: Pricing Flashes

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 grids that outline the applicable products.

Effective Date

Immediately unless otherwise noted within each section.

EQUAL HOUSING LENDER

This document is not a Consumer Credit Advertisement and is intended for Correspondent/HFA use only. This information is provided to assist Correspondents/HFA and is not a consumer credit advertisement as defined by Regulation Z. Loan approval is subject to credit approval and program guidelines. Not all loan programs are available in all states for all amounts. Interest rates and program terms are subject to change without notice. Mortgage and Home Equity products are offered by U.S. Bank National Association. Deposit Products offered by U.S. Bank National Association. Member FDIC. ©2026 U.S. Bank. CR-68814802

Payday Loans

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

U.S. Bank is providing guidance on payday loans.

Definition of Payday Loans

A payday loan is a short-term, high-cost unsecured loan that is generally intended to provide borrowers with immediate access to cash until their next paycheck. These loans are typically characterized by:

- Short repayment terms, often due within a few weeks.
- High fees and annual percentage rates (APRs).
- Minimal underwriting requirements.
- Repayment through automatic withdrawal, post-dated check, or direct access to the borrower's bank account.

Because payday loans are designed to address immediate cash flow shortages rather than long-term financial needs, their use may indicate financial stress or limited liquidity.

Examples of Payday Companies include but not limited to:

Advance America	ACE Cash Express	Check Into Cash	Check 'n Go
Speedy Cash	CashNetUSA	Amscot	MoneyKey
Cash Central	Dollar Loan Center	Regional Finance	InstaLoan
Rapid Cash	Easy Money	National Payday	Money Mart
LendNation	Allied Cash Advance	Possible Finance	OppLoans
Balance Credit	Rise Credit	EarnIn	Dave
Brigit	MoneyLion	Albert	Cleo
Empower	Chime MyPay	Varo Advance	

Payday Loan Proceeds

Payday loans are generally unsecured short-term debt obligations, and the proceeds are not considered an acceptable source of funds for any mortgage transaction.

Specifically, payday loan proceeds **must not be used for**:

- Down payment funds
- Closing costs
- Earnest money deposits
- Cash reserves
- Any other mortgage transaction-related purpose

When identified during the underwriting process, payday loan proceeds should be excluded from eligible assets used to qualify the borrower and complete the transaction. Underwriters should address Payday loans in recap, including rationale on how these loans were identified and evaluated.

Payday Loan Underwriting Considerations

The presence of a payday loan may warrant additional review of the borrower's overall financial condition and cash flow management.

Factors that may require further evaluation include:

- Recent or multiple payday loan transactions.
- Evidence that payday loans were used to supplement regular living expenses.
- Patterns indicating dependence on short-term borrowing to meet financial obligations.
- Significant unexplained deposits linked to payday lending sources.

Underwriters should assess whether the borrower's financial profile demonstrates the capacity and willingness to meet ongoing mortgage obligations without reliance on short-term, high-cost borrowing.

Evidence that the payday loan has been paid in full is required prior to final approval.

Underwriters should address Payday loans in recap, including rationale on how these loans were identified and evaluated.

Guide Reference:

711.05 FHA – Funds for Closing
711.07 FHA – Credit/Debt Underwriting
712.08 VA – Funds for Closing
712.09 VA - Credit/Debt Underwriting
713.08 Agency – Funds for Closing
713.09 Agency - Credit/Debt Underwriting
714.01.05.01 Portfolio - Credit
714.01.06 Portfolio – Assets/Funds to Close
715.05 RD – Funds for Closing
715.07 RD – Credit/Debt Underwriting

Update to Portfolio Underwriting Guidelines

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

Effective Date: Immediately for all applications and loans in the pipeline.

U.S. Bank has made recent clarifications to our Portfolio underwriting guidelines as follows. For ease of review, the updated sections listed below are in **green** in our AllRegs library.

714.01.04 Portfolio - Borrower and Occupancy

- Added clarifying language that Non-Permanent Resident Alien (NPRA) borrower must reside in the United States
- Added clarifying language related to requirements for a joint credit situation with title held in a LLC or Trust
- Added clarifying language that the Trust must be established or created within the United States.

714.01.05 Portfolio – Credit

- Added clarifying language to the section specifying what is required for the credit bureau report.
- Added clarifying language to the section specifying Mortgage and Rental Payment History section
- Added clarifying language to the section specifying what collection accounts are required to be paid prior to closing.

714.01.07 Portfolio - Secondary Financing

- Added information related to properties with existing equity share agreements
- Added an allowance for a 2nd lien behind a U.S. Bank first lien that has previously received a rate only modification as part of the retention / performing loan modification program.

714.01.09 Portfolio – Property

- Language added to the Condominium segment relating to Unacceptable Condominium property types.

714.01.10 Portfolio – Appraisals

- New language included to provide requirements related to Uniform Appraisal Dataset (UAD 3.6) to align with the industry's new appraisal requirements.
- Updated product grid for the Appraisal and Evaluation Documents to remove language that was no longer applicable.
- Additional language included to clarify the Use of Other Appraisals or Evaluations section.
- Appraisal and Evaluation Expiration removed outdated forms requirements from the section.
- Changed requirements noted for Construction, Subject to Completion per Plans and Specs.

714.01.11 Portfolio – Taxes and Escrow

- Homeowner's Hazard Insurance and Condominium section clarified the hazard insurance coverage list of perils that must be insured from loss.
- Removed the principal balance and percentage of replacement cost-based hazard insurance coverage requirements and included a requirement that the policy coverage must provide for coverage of the insurable improvements. Insurance coverage must replace cost basis, except for roofs which may provide coverage on an actual cash value basis. Clarified the deductible amounts for condominium and HO-6 policy.
- Added Mortgage Insurance requirements

714.02.02.02 Portfolio – Employment and Income

- Updated guidelines to include a verbal verification of employment (VOE) for borrowers using Schedule K-1 income from a business in which they have less than 25% ownership to qualify.

714.02.02.02.01 Portfolio – Salary Wage and Other Forms of Income

- Added clarifying language to the Retired Income section.

714.02.02.03 Portfolio – Non-Employment Related Borrower Income

- Added clarifying language to the following:
    - Alimony, Child Support, and Maintenance Income Criteria language.
    - Rental Income from Borrower Occupied Property language.
- Updated the Eligible Income (25% vacancy factor) from Investment Properties language.

714.02.03.01 Portfolio – Liability Assessment

- Debt to Income (DTI) Ratio Computation for Recurring Obligations had the following updates:
  - Removed language regarding Monthly Housing expenses as it is discussed in another area of the policy.
  - Included language regarding debt reduction.
  - Moved the recurring installment, child support or maintenance payments exclusion to the Obligations Not Considered Debt section.
  - Included Obligations Not Considered Debt to this Debt-to-Income Section.

Minor Updates

- 714.01.06 Portfolio – Assets/Funds to Close
- 714.01.14 Portfolio - Definitions

Agency Underwriting Changes

Underwriting/Delivery	
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Products	
X	Conv. (Freddie)
X	Conv. (Fannie)
	Conv. (Portfolio)
	FHA
	VA
	Rural Development

U.S. Bank is announcing the recent updates to Agency Guidelines impacting the following:

- Schedule K-1 <25% Income (qualifying income)
- Income policy updates for Annuity, Pension and Retirement (qualifying income)
- American Land Title Association endorsement for solar panels

For HFA loans, check with your HFAs as individual programs may have varying requirements and income calculation guidelines for Schedule K income, annuities, pensions and retirement income.

Schedule K-1<25% Income

Fannie Mae has updated their guidelines that lenders must complete a verbal verification of employment (VOE) for borrowers using Schedule K-1 income from a business in which they have less than 25% ownership to qualify.

When a borrower qualifies using employment and Schedule K-1 income or self-employment income from the same business, the required verification depends on the percentage of ownership in the business. If the borrower has:

- less than 25% ownership in the business, the lender must satisfy the verbal VOE requirements for borrowers using employment-related income.
- greater than or equal to 25% ownership in the business, the lender must satisfy the verbal VOE requirements for borrowers using Schedule K-1 or self-employment income.

When completing the verbal VOE the lender may use the method most appropriate for the borrower's business structure. For borrowers who own or operate a business, the documentation must confirm the existence of the business. In all cases, the verification must support that the borrower continues to operate or engage in the same income earning activity being used to qualify. This verification may be obtained verbally, in writing, through an employment verification vendor, or by other means acceptable to the lender provided it is reasonable, verifiable, and appropriate for the borrower's employment or income type.

A verbal verification of employment is not required when rental income is the only income reported on Schedule K-1.

This qualifying income guidance change applies to loan applications dated on or after December 2, 2026.

Income Policy Updates for Annuity, Pension and Retirement

Fannie Mae has updated this policy to provide additional guidance for documentation requirements when the income begins after closing but prior to first payment.

If the income is from an annuity or pension account and the borrower will begin receiving the income on or before the first payment date of the subject mortgage (i.e., after closing), document the income with a benefit statement from the organization providing the income. The statement must specify the income type, amount and frequency of the payment, and include confirmation of the initial start date of the payment from an annuity or pension account.

American Land Title Association Endorsement for Solar Panels

Freddie Mac previously required Sellers to subordinate or release any UCC-1 Financing Statement recorded as a lien in the land records when solar panels are financed as a fixture to real estate. They have updated the Guide to allow a solar panel endorsement to the title insurance policy (ALTA 50 Solar endorsement or equivalent) to confirm that the UCC-1 Financing Statement does not adversely affect title to the real estate.

Guide Reference

713.17 Eligible Properties

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.