



# Seller Guide Update



SEL-2020-025: Multiple Topics

April 3, 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.

## 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). To ensure the safety of our employees and customers, we have limited travel and shifted non-office critical roles to work from home. 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.



**Clarification:  
Updated  
Correspondent  
Credit Overlays**

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

In SEL-2020-024 published on April 2<sup>nd</sup>, we announced new Correspondent Credit Overlays. Please note the following clarifications below in red.

Effective with loans locked on/after April 3, 2020, U.S. Bank will implement the following overlays:

	Topic	Overlay Description
<b>Government (FHA, VA and USDA)</b>	<b>Minimum FICO</b>	<ul style="list-style-type: none"> <li>Increasing minimum FICO requirement to 680.</li> </ul>
	<b>Debt-to-Income</b>	<ul style="list-style-type: none"> <li>Maximum DTI of 50%.</li> </ul>
	<b>Underwriting</b>	<ul style="list-style-type: none"> <li>Manual underwriting only allowed on FHA streamline refinances and on VA IRRRL transactions.</li> </ul>
	<b>Transaction Type</b>	<ul style="list-style-type: none"> <li>FHA streamline refinance and VA IRRRL transactions only available if U.S. Bank is the current servicer.</li> </ul>
	<b>Funds for Closing</b>	<ul style="list-style-type: none"> <li>Minimum FICO score of 700 with a maximum DTI of 43% when any funds used for closing costs or down-payment are not borrower's own funds or gift funds. <b>Examples of when the DTI cannot exceed 43% and the borrower must have a minimum 700 score:</b> <ul style="list-style-type: none"> <li>Seller is paying closing costs</li> <li>In the event there is a Lender Credit</li> <li>When the borrower is utilizing a Community Second or DPA program</li> </ul> </li> </ul>
<b>Impacted Product Guidelines</b>	<ul style="list-style-type: none"> <li>1001 – FHA 30 year</li> <li>1002 – FHA 20 year</li> <li>1004 - FHA buydown</li> <li>1105 - FHA Jumbo 30 year</li> <li>1024 - FHA 5/1 ARM</li> <li>1025 - FHA Jumbo 5/1 ARM</li> </ul>	<ul style="list-style-type: none"> <li>1020 - FHA 203k</li> <li>2001 - VA 30 year</li> <li>2002 - VA 15 year</li> <li>2009 – VA Jumbo 30 year</li> <li>2024 – VA 5/1 ARM</li> <li>3001 -USDA 30 year</li> </ul>

Effective with loans locked on/after April 6, 2020, U.S. Bank will implement the following overlays:

	Topic	Overlay
<b>Conventional Agency</b>	<b>Minimum FICO</b>	<ul style="list-style-type: none"> <li>Increasing minimum FICO requirement to 640.</li> </ul>
	<b>Transaction Type</b>	<ul style="list-style-type: none"> <li>Implementing a 50 basis point (bps) Loan Level Price Adjuster (LLPA) for cash-out refinances and investment property transactions with a FICO &lt; 720.</li> </ul>
	<b>Funds for Closing</b>	<ul style="list-style-type: none"> <li>Minimum FICO score of 700 with a maximum DTI of 43% when any funds used for closing costs or down-payment are not borrower's own funds or gift funds. <b>Examples of when the DTI cannot exceed 43% and the borrower must have a minimum 700 score:</b> <ul style="list-style-type: none"> <li>Seller is paying closing costs</li> <li>In the event there is a Lender Credit</li> <li>When the borrower is utilizing a Community Second or DPA program</li> </ul> </li> </ul>
<b>Impacted Product Guidelines</b>	<ul style="list-style-type: none"> <li>3501 FNMA 30 year</li> <li>3502 FNMA 15 year</li> <li>3503 FNMA 20 year</li> <li>3507 FNMA 10 year</li> <li>3601 FHLMC 30 year</li> <li>3602 FHLMC 15 year</li> <li>3604 FHLMC 20 year</li> <li>3619 FHLMC 10 year</li> <li>3626 FHLMC Jumbo 30 year</li> <li>3627 FHLMC Jumbo 15 year</li> <li>3666 FHLMC MH 30 year</li> <li>3667 FHLMC MH 20 year</li> <li>3668 FHMC MH 15 year</li> <li>3519 FNMA HomeReady</li> <li>3687 FHLMC Home Possible</li> </ul>	<ul style="list-style-type: none"> <li>3691 FHLMC Home Possible MH</li> <li>3371 3/1 FHLMC Libor ARM</li> <li>3374 5/1 FHMC Libor ARM</li> <li>3373 7/1 FHLMC Libor ARM</li> <li>3646 10/1 FHLMC Libor ARM</li> <li>3379 5/1 Jumbo FHLMC Libor ARM</li> <li>3380 7/1 Jumbo FHLMC ARM</li> <li>3647 10/1 Jumbo FHLMC ARM</li> <li>3566 3/1 FNMA Libor ARM</li> <li>3581 5/1 FNMA Libor ARM</li> <li>3547 7/1 FNMA Libor ARM</li> <li>3563 10/1 FNMA Libor ARM</li> <li>3593 5/1 Jumbo FNMA Libor ARM</li> <li>3562 7/1 Jumbo FNMA Libor ARM</li> <li>3582 10/1 Jumbo FNMA Libor ARM</li> </ul>

**Note:** There may be additional credit requirements as outlined in specific product guidelines; the **Correspondent Overlay Matrix** will be updated in AllRegs on April 3<sup>rd</sup>.



## Temporary CLTV/HTLTV Restrictions When Using U.S. Bank 2<sup>nd</sup> Mortgage Products

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 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

## Rural Development Handbook Update – Chapter 1 and 10

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
<input type="checkbox"/>	Corr. Non-Delegated
<input type="checkbox"/>	Corr. EZD
<input checked="" type="checkbox"/>	Corr. Mandatory
<input checked="" 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 type="checkbox"/>	VA
<input checked="" type="checkbox"/>	Rural Development

## Portfolio Appraisal Requirements

## Questions

### Effective Date:

Effective for loans locked on Monday, April 13, 2020 through Monday, July 13, 2020

Due to the current economic disruption and market uncertainty associated with the COVID-19 event, we will be lowering U.S. Bank's maximum exposure to 80 percent CLTV/HTLTV for all loans when using a U.S. Bank 2<sup>nd</sup> mortgage product for a period of 90-days. Loans utilizing a non-U.S. Bank 2<sup>nd</sup> mortgage are not limited to the 80 percent CLTV/HTLTV cap and can be originated in accordance with the LTV/CLTV/HTLTV limits outlined in the product guidelines.

After this period of evaluation, it is expected we will return to existing guidelines if the housing market and economic outlook have improved back to relative stability.

Lenders are reminded that if they have submitted credit packages that are currently in float status, the loan will need to be locked in order for U.S. Bank to honor the loan (approved or received but not reviewed).

**Guide Update:** The following product guidelines will be updated: 3104 USBHM Fixed Rate Second Mortgage, 3105 USBHM Fixed Rate Second Mortgage, 3141 USBHM 1 year ARM Second Mortgage; 3776 USBHM 30 year, 3784 USBHM 20 year, 3777 USBHM 15 year, 3307 USBHM 3/1 ARM, 3045 USBHM 5/1 ARM, 3309 USBHM 7/1 ARM, 3317 USBHM 10/1 ARM

### Effective Date:

Effective immediately with the issuance of [Procedure Notice 534](#), Rural Development (RD) has announced updates to Chapter 1 Overview and Chapter 10 Credit Analysis of the RD Handbook HB-1-3555 per [Procedure Notice 534](#).

The updated versions of the chapters are located in [RD HB-1-3555 SFH Guaranteed Loan Program Technical Handbook](#).

**Chapter 1 Overview:** Chapter 1 Overview contains changes regarding organizational structures previously announced, attachments Notice of Relationship/Association between SFHGLP Applicant and RD employee and other clarifications. [Chapter 1 Overview General Program Requirements HB-1-3555](#)

**Chapter 10 Credit Analysis:** Several updates and clarifications have been made to Chapter 10. A [Revision Aid](#) can be found at USDA Linc & Training Resources. USDA also added an attachment 10-A Credit Matrix to the chapter which has many of the updates and clarifications [Credit Matrix Attachment 10-A](#).

U.S. Bank will continue the current policy regarding Recovery Time Periods for Reestablishment of Credit After Bankruptcy, Foreclosure, Short Sale and Deed in Lieu of 3 years.

**Guide Updates:** 715.7.1 RD – Recovery Time Periods for Reestablishment of Credit After Bankruptcy, Foreclosure, Short Sale, Correspondent and HFA Overlay Matrices

As we continue to see the various temporary flexibilities from our agency and industry partners, we wanted to remind lenders that Appraisal Requirements for Portfolio Products have not been updated with any temporary flexibilities.

Lenders are encouraged to review guidelines as outlined in the Correspondent Seller Guide.



**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.