



Seller Guide Update



SEL-2021-022: Updates to Agency, Government and Portfolio COVID-19 Overlays and Flexibilities April 30, 2021

- Correspondent Lending
- Housing Finance Agency (HFA)

Summary

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

Effective Dates: Immediately for all of the flexibilities/overlays referenced below with the exception of the Verbal Verification of Employment (VVOE) for Agency loans as it will expire with applications on April 30, 2021 as indicated in the grid below.

Many of the COVID credit-related restrictions and flexibilities are being eliminated. These restrictions and flexibilities were put in place due to the uncertainty of the impact of the pandemic on economic and housing markets and associated mortgage lending risks. U.S. Bank will be taking a tiered approach to removing our self-imposed COVID-19 Overlays in the following stages:

- **Current/Phase 1:** Agency, Government and Portfolio Flexibility/Overlay removal and flexibility updates as referenced in this announcement.
- **Phase 2:** Additional Flexibility/Overlay removals and updates which will be announced on May 21, 2021

Key Changes

- Certain credit restrictions will remain due to the determination of prudent lending practices that should become U.S. Bank Home Mortgage standard guidelines.
- **Summary of Changes Document:** A summary of the changes that are being made as referenced in this announcement in Phase 1 with a more in depth listing are included on the last page.

Phase 1: Flexibility and/or Overlay Update

Flexibility and/or Overlay Topic	Product Applicability Impact (Yes/No)		
	Agency (Fannie Mae and Freddie Mac)	Government (FHA, VA and RD)	Portfolio
Verbal Verification of Employment (Agency - This flexibility expires April 30, 2021 and will not be extended.)	Yes	No	Yes
Tax Transcript Flexibilities	Yes	Yes	Yes
The business will retain sufficient liquidity to sustain operations for the foreseeable future (minimum 6-months.)	Yes	Yes	No
Rental income for qualifying purposes will only be considered stable with a fully executed lease agreement with a duration of at least 12 months at time of execution.	Yes	No	Yes
Maximum DTI 36% for any Self-Employed borrower who uses business assets for down payment, closing costs or reserves.	Yes	Yes	No
Primary - Additional 12-months PITI when borrower has more than two financed properties (including subject property).	No	No	Yes
Investment Properties - Additional 6-months PITI for each additional property owned (financed and not financed).	No	No	Yes
Business Assets - No business assets will be allowed for down payment, closing costs or reserves, regardless of impact to business.	No	No	Yes

Summary of Changes: Refer to page 2 to review the Summary of Changes Document that are being made as referenced in this announcement in Phase 1 with a more in depth listing.



Phase 1: Summary of Changes

Overlay Flexibility	Product Impact	Comment
<p>Verbal Verification of Employment</p> <ul style="list-style-type: none"> Agency flexibility expires April 30, 2021 and will not be extended. As a reminder, VA flexibilities expired with applications taken on or after April 1, 2021. 	<ul style="list-style-type: none"> Agency Portfolio 	<ul style="list-style-type: none"> Flexibilities previously communicated are being rescinded. Refer to the appropriate Correspondent Seller and HFA Lending Guides for complete details regarding specific requirements.
Tax Transcript Flexibilities	<ul style="list-style-type: none"> Agency Government Portfolio 	Tax Transcript flexibilities previously communicated are being rescinded. Refer to the appropriate Correspondent Seller and HFA Lending Guides for complete details regarding specific requirements.
Business Continuity	<ul style="list-style-type: none"> Agency Government 	Refer to appropriate Underwriting Guidelines (Agency - 713.8 – Funds for Closing). For Government loans, refer to appropriate standard GSE guidelines.
Rental income	<ul style="list-style-type: none"> Agency Portfolio 	U.S. Bank is removing the overlay for Agency loans previously communicated, and adding the guideline to our Portfolio Guidelines (714.2.2.3 - Non-Employment Related Borrower Income)
Self Employed Borrower DTI Requirements	<ul style="list-style-type: none"> Agency Government 	Removed from product guidelines: 36% max DTI for Self Employed Borrowers using business assets for closing cost
Primary - Additional 12-months PITI w/ two financed properties	<ul style="list-style-type: none"> Portfolio 	Removed from product guidelines: Primary - Additional 12-months PITI when borrower has more than two financed properties (including subject property).
Investment Properties	<ul style="list-style-type: none"> Portfolio 	Removed from product guidelines: Investment Properties - Additional 6-months PITI for each additional property owned (financed and not financed).
Business Assets - No business assets will be allowed for down payment, closing costs or reserves, regardless of impact to business.	<ul style="list-style-type: none"> Portfolio 	U.S. Bank will follow standard asset guidelines as outlined in 714.1.6 - Assets/Funds To Close.

Guide Updates: The COVID-19 FAQ, Correspondent Overlay Matrices, HFA Overlay Matrix, and impacted Correspondent/HFA Underwriting and Correspondent Product Guidelines as outlined on page 3.

Impacted Correspondent Product Guidelines

<p>Portfolio:</p> <ul style="list-style-type: none">• 3776 USBHM Fixed 30 year• 3784 USBHM Fixed 20 year• 3777 USBHM Fixed 15 year• 3783 USBHM Investor Paid MI 80.01%-85%• 3782 USBHM Investor Paid MI 85.01%-90%• 3307 USBHM Elite 3/1 ARM2/6 CAPS• 3045 USBHM Elite 5/1 ARM2/6 CAPS• 3309 USBHM Elite 7/1 ARM2/6 CAPS• 3317 USBHM Elite 10/1 ARM2/6 CAPS• 3319 USBHM Investor Paid MI 80.01%-85%• 3320 USBHM Investor Paid MI 85.01%-90% <p>Government:</p> <ul style="list-style-type: none">• 1001 FHA 30 year• 1002 FHA 15 year• 1004 FHA buydown• 1105 FHA Jumbo 30 year• 1024 FHA 5/1 ARM• 1025 FHA Jumbo 5/1 ARM• 2001 VA 30 year• 2002 VA 15 year• 2009 VA Jumbo 30 year• 2024 VA 5/1 ARM• 3001 USDA 30 year	<p>Agency:</p> <ul style="list-style-type: none">• 3501 FNMA 30 year• 3502 FNMA 15 year• 3503 FNMA 20 year• 3507 FNMA 10 year• 3601 FHLMC 30 year• 3602 FHLMC 15 year• 3604 FHLMC 20 year• 3619 FHLMC 10 year• 3626 FHLMC Jumbo 30 year• 3627 FHLMC Jumbo 15 year• 3684 FHLMC Investor Paid MI 80.01%-85%• 3685 FHLMC Investor Paid MI 85.01% -90%• 3686 FHLMC Investor Paid MI 90.01%-95%• 3519 FNMA HomeReady• 3687 FHLMC Home Possible• 3691 FHLMC Home Possible• 3666 MH 30 YR FHLMC• 3667 MH 20 YR FHLMC• 3668 MH 15 YR FHLMC MH
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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.