



Seller Guide Update



SEL-2020-020: Multiple Topics

March 27, 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.



Undisclosed Debt

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

U.S. Bank is updating its Undisclosed Debt Policy as follows **effective immediately**:

Undisclosed Debt: The credit report and 1003 are the primary source of credit and debt information. All documentation in the file (such as paystubs, asset statements, divorce decrees, etc.) from the most recent two months only should be reviewed to determine if there is undisclosed debt. If undisclosed debt is found, it must be determined if it is a material payment and therefore be considered in qualifying.

Material Payment Defined

- For Agency loans, when reviewing documentation, a material payment amount is defined as an increase to the existing DTI by 3% or more or causing the DTI to exceed 45%. If deemed to be material, the payment must be included in the debt and the loan must be through the AUS. Items of a lesser amount do not need to be investigated or conditioned for explanation.
- For Portfolio loans, the loan must remain within product DTI limits.
- For Government loans, any undisclosed debt is considered a material payment and must be included in the debt and the loan must be run through the AUS.

Paystubs: Deductions to be included are obligatory in nature such as but not limited to garnishments, child support payments, Credit Union loans etc. Deductions that are voluntary in nature such as but not limited to insurance premiums, retirement savings and charities, etc. are not to be included.

Asset Statements

When reviewing the borrower(s)' asset statements, check to see if there are any material payments such as payments to financial institutions, individuals, rental/leasing companies or the IRS, through item descriptions on the bank statement (i.e description on the checks, ACH payments, credit /debit payments and mobile app payments).

Even if the payment occurs month over month on statements, it does not automatically identify it as an undisclosed debt. ACH payments for living expenses; such as, cable, streaming media services, utilities, phone, health club, school tuition (as long as it is not a payment for a student loan), grocery store purchases, etc.

Items with limited descriptions, recurring amounts on consecutive statements and/or payments to institutions that differ from the payment indicated on the credit bureau amount do not always require additional explanation.

Lenders only need to submit Bank Statements if funds/reserves need to be documented.

Guide Update: 711.7 FHA – Credit/Debt Underwriting, 712.9 VA – Credit/Debt Underwriting, 713.9 Agency – Credit/Debt Underwriting, 714.2.3 Portfolio – Debts, 715.7 RD – Credit/Debt Underwriting

Income Analysis Worksheet Updates

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

The following changes have been made to the **Income Analysis Worksheet**:

All Tabs

Dates have been updated to reflect 2020 on all tabs and allow for 2019 tax return information to be entered.

2106 Exp and Schedule C Tabs

Added IRS Depreciation rate for 2020 of \$0.27

W2 Bwr/Co-Bwr

Updated SS Withholding to 2020 Limit of \$137,700

Other Inc Bwr/Co-Bwr

These tabs of the Income Analysis Worksheet have been updated to allow non-taxable portions of various income types to be grossed up. A new Gross-up Calculation section has been added to the three free-form income sections of these tabs. This section will appear when the "Is the borrower required to file tax returns?" question is answered "yes".

These tabs will also include alerts that will inform the user if the income is not being grossed up because a necessary field was not completed.

Guide Update: 1100: Exhibits, Forms > 1110: Underwriting > 1113: Income Analysis

Disaster Area Declarations

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

The following counties have been declared as Presidential Disaster Area with Individual Assistance on the [FEMA Disaster Website](#) and re-inspection requirements detailed in our Correspondent Seller's and HFA Division Lending Guide must be met. In some cases, additional counties may have been added. Lenders are responsible for verifying procedures are in place to monitor new and/or updated declarations.

Declaration Date	State	County
March 5, 2020	TN	Davidson, Putnam, and Wilson

Guide Section: 711.20 – Natural Disaster Procedures (VA), 712.20 – Natural Disaster Procedures (FHA), 713.21 – Natural Disaster Procedures (Conventional), 714.1.10 – Appraisal Procedures (Portfolio – Correspondent Only), 715.20: Natural Disaster Procedures (USDA)

Red Sky Risk Services High Risk Appraisal Review Communications Changes

Some situations, as outlined in our Correspondent Seller and HFA Division Lending Guide, require that an appraisal be submitted to Red Sky Risk Services for a high risk collateral review by U.S. Bank. We would like to provide you with details regarding some upcoming communications changes.

Beginning Wednesday, April 1, 2020, U.S. Bank will begin to utilize the following High Risk Appraisal Review Forms when communicating the appraisal decision, and any subsequent additional requirements or stipulations:

- **Red Sky Risk Services Valuation Quality Control Report**
- **Red Sky Risk Services Multi-Purpose Appraisal Review Form**

High Risk Review Communications: Once a loan has been selected for a high risk collateral review, lenders can now expect to receive the following Appraisal Review Forms communicating the appraisal decision, and any subsequent requirements.

Highlights of the new forms include:

Appraisal Review Form Type (sample forms attached to this update and linked below)	Form Highlights (areas mentioned below are also highlighted on the attached sample forms)
Red Sky Risk Services Valuation Quality Control Report	<ul style="list-style-type: none">• Decision located immediately at top• 'Summary' Section for any items that must be addressed and/or corrected.
Red Sky Risk Services Multi-Purpose Appraisal Review Form	<ul style="list-style-type: none">• The 'Decision' is located within the 'Comments' section (vs. Summary) as well as any items that must be addressed and or corrected.

Important Note: The decision that lenders see today on current communication is referred to as **Pending**, however, with the new forms, the new decision will state **Rejected**. The appraiser simply needs to make the revisions requested in the **Summary** and resubmit the amended appraisal.

Lenders are encouraged to review the [Portfolio Products: Best Practices for Successful Appraisal Review](#) for complete details including sending an appraisal, high risk review communications, and appraisal review processes.

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.



Valuation Quality Control Report

Decision:

Value:

Effective Date of Valuation:

Conditions of the Valuation:

Loan Number:

Borrower:

Lender Name:

Lender Address:

Form Under Analysis:

Refinance: Sales Price: Service Provider:

Property Address: City: State: Zip Code:

Occupant: Location: Design:

Site Area: Zoning Compliance: Gross Living Area Above Grade:

Is Property currently for sale and/or offered for sale in the previous 12 months? Yes No PUD: Yes No

HOA \$: Per Year Per Month Date of Prior Sale/Transfer: Price of Prior Sale/Transfer:

The property is greater than 10 acres but less than 20 Yes No The property is 20 acres or greater Yes No

- Acknowledgements:**
- The valuation product described herein is acceptable for its intended use.
 - The valuation product describes information sufficient to identify the real estate involved in the valuation.
 - The valuation product is completed fully and consistent with the client's valuation assignment requirements.
 - The valuation product clearly discloses all assumptions, hypothetical conditions, and limiting conditions used in the assignment.

Summary:

Quality Analyst Signature: Signature Date:



Multi-Purpose Appraisal Review Form

Appraised Value: _____ Effective Date of the Appraisal Review: _____
Conditions of the Appraisal: _____ Loan Number: _____ Borrower: _____

Appraisal Form Under Review: _____ Licensed Reviewer: Yes No
Refinance: Sales Price: _____ Appraiser: _____

Property Address: _____ City: _____ State: _____ Zip Code: _____
Occupant: _____ Location: _____ Design: _____
Site Area: _____ Zoning Compliance: _____ Gross Living Area Above Grade: _____
Is Property currently for sale and/or offered for sale in the previous 12 months? Yes No PUD Yes No
HOA \$ _____ Per Year Per Month Date of Prior Sale/Transfer: _____ Price of Prior Sale/Transfer: _____
The property is greater than 10 acres but less than 20 Yes No The property is 20 acres or greater Yes No

Administrative Appraisal Review

Indicate Yes, No, or N/A

1. _____ Does the appraisal describe information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment?
Exposure Time: _____ Prior Service: _____
2. _____ Does the information in the subject section appear to be complete and accurate?
3. _____ Does the information in the contract section appear to be complete and accurate?
4. _____ Does the information in the neighborhood section appear to be complete and accurate?
5. _____ Does the information in the site section appear to be complete and accurate?
6. _____ Does the information in the improvements section appear to be complete and accurate?
7. _____ Do the comparables appear similar in location, physical features and functionality to the subject?
8. _____ Does the data, analysis and adjustments in the sales comparison approach appear to be complete, supported and consistent?
9. _____ Are the data and analysis in the cost approach, 1004MC and income approach appear to be complete and accurate?
10. _____ Is the sales history of the subject and comparables reported accurately?
11. _____ Does this appraisal report contain sufficient information and was it developed and presented in a manner that is not misleading?
12. _____ Does the appraiser clearly and accurately disclose all assumptions, hypothetical conditions, and limiting conditions used in the assignment?
13. _____ Is the appraisal report prepared under one of the following three options and prominently state which option is used:
Self-Contained Appraisal Report: Summary Appraisal Report: Restricted Use Appraisal Report:
14. _____ Does the appraisal report credibly and adequately support its value opinion and conclusions?

Review Appraiser must comment on any No answers above.

Comments

Administrative Reviewer Signature: _____ Date: _____
Reviewer Name: _____ State License #: _____ State: _____ Expiration Date of License: _____