



# Seller Guide Update



SEL-2020-021: Multiple Topics including Temporary Flexibilities

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.

## 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.



**Correspondent:  
Temporary  
Flexibilities for  
Appraisals**

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 type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

During the COVID-19 national emergency, in many cases lenders are unable to obtain an appraisal based on a full interior and exterior inspection of the subject property. In response, Fannie Mae and Freddie Mac are allowing temporary flexibilities to our appraisal requirements.

**Effective Date:** Immediately for all loans in process and remain in place for loans with application date on or before May 17, 2020.

**Temporary Appraisal Requirement Flexibilities**

When an interior inspection is not feasible because of COVID-19 concerns, either a desktop appraisal or an exterior-only inspection appraisal in lieu of the interior and exterior inspection appraisal (i.e., traditional appraisal) will be allowed. If a traditional appraisal is not obtained and there is insufficient information about the property for an appraiser to be able to complete an appraisal assignment with a desktop or exterior-only inspection appraisal, the loan will not be eligible for delivery to Fannie Mae or Freddie Mac.

Loan Purpose	LTV Ratio	Occupancy	Ownership of Loan Being Refinanced	Permissible Appraisals (in order of preference)
Purchase *	Per <i>Eligibility Matrix</i>	Principal residence	N/A	Traditional appraisal Desktop appraisal Exterior-only appraisal
	≤ 85%	Second Home Investment		Traditional appraisal Desktop appraisal Exterior-only appraisal
	> 85%	Second home		Traditional appraisal
Limited cash-out (Rate/Term) Refinance	Per <i>Eligibility Matrix</i>	All	Fannie Mae-owned (Fannie to Fannie) **	Traditional appraisal Exterior-only appraisal
	As permitted in the Guide		Freddie Mac-owned (Freddie to Freddie) **	Traditional appraisal Exterior-only appraisal
Limited cash-out (Rate/Term) Refinance	All	All	Not Freddie or Fannie Owned (Fannie to Freddie or Freddie to Fannie)	Traditional appraisal
Cash-out refinance	All	All	All	Traditional appraisal

\*Excludes new construction and construction-to-permanent loans.

**Note:** For all Mortgages with LTV ratios greater than 80%, mortgage insurance will be required in accordance with Agency requirements.



**Correspondent:  
Temporary  
Flexibilities for  
Appraisals,  
continued**

**Desktop Appraisals**

For purchase money transactions when an interior and exterior appraisal is not available, desktop appraisals are preferred rather than an exterior-only appraisal.

The minimum scope of work for a desktop appraisal does not include an inspection of the subject property or comparable sales. The appraiser relies on public records, multiple listing service (MLS) information, and other third-party data sources to identify the property characteristics.

The table below provides the appraisal report form that must be used to complete the desktop appraisal for each property type:

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	Uniform Residential Appraisal Report (Form 1004/70)
Condominium unit	Individual Condominium Unit Appraisal Report (Form 1073/465)
Cooperative Unit	Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090)
2-4 Unit Property	Small Residential Income Property Appraisal Report (Form 1025/72)
Manufactured Home	Manufactured Home Appraisal Report (Form 1004C/70B)

As further described by [Freddie Mac](#) and [Fannie Mae](#), they have worked together to develop documents that include modified appraisal report language for the scope of work, statement of assumptions and limiting conditions, and certifications that must be used with these appraisal forms.

Each desktop appraisal report must include the following exhibits:

- a location map indicating the location of the subject and comparables, and
- photographs of the subject property. We recognize that it may be challenging in some instances to obtain photographs; however, it is expected that the appraiser utilize available means to obtain relevant pictures of the subject property.

**Exterior-only inspection appraisals**

An exterior-only inspection appraisal may be obtained in lieu of an interior and exterior inspection appraisal for the following transactions:

- Purchase money loans
- Limited cash-out refinances where the loan being refinanced is a Fannie to Fannie or a Freddie to Freddie.

**Lenders will not receive value representation and warranty relief under Agency programs for loans with exterior-only appraisals.**

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	Exterior-Only Inspection Residential Appraisal Report (Form 2055)
Attached condominium unit	Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Form 1075/466)
Cooperative unit	Exterior-Only Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2095)
Two-four unit property	Small Residential Income Property Appraisal Report (Form 1025/72)
Manufactured home	Manufactured Home Appraisal Report (Form 1004C/70B)



**Correspondent:  
Temporary  
Flexibilities for  
Appraisals,  
continued**

Each exterior-only appraisal report must include the following exhibits:

- a street map that shows the location of the subject property and of all comparable sales that the appraiser used;
- clear, descriptive photographs (either in black and white or color) that show the front of the subject property, and that are appropriately identified (photographs must be originals that are produced either by photography or electronic imaging); and
- any other data—as an attachment or addendum to the appraisal report form—that are necessary to provide an adequately supported opinion of market value.

**Appraisal Waivers:** U.S. Bank will continue to accept PIW from Fannie Mae as an acceptable alternative to appraisals. For Correspondent only, U.S. Bank will continue to accept ACE from Freddie Mac as an acceptable alternative to appraisals.

**Identification of a Fannie Mae loan:** Lender can determine whether the existing loan is a Fannie Mae loan by using the [Loan Lookup tool](#).

**Identification of a Freddie Mac loan:** Lender can determine whether the existing Mortgage is a Freddie Mac by using the [Loan Lookup tool](#).

**Completion Reports:** We require the Appraisal Update and/or Completion Report (Form 1004D) to evidence completion when the appraisal report has been completed “subject to.” For all loans for which a completion certification is not available due to issues related to COVID-19, we will permit a letter signed by the borrower confirming that the work was completed. Borrowers must also provide further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation. All completion documentation must be retained in the loan file.

**HFA: Temporary  
Flexibilities for  
Appraisals**

Underwriting/Delivery	
<input type="checkbox"/>	Corr. Delegated
<input type="checkbox"/>	Corr. Non-Delegated
<input type="checkbox"/>	Corr. EZD
<input 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 type="checkbox"/>	Conv. (Portfolio)
<input type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

During the COVID-19 national emergency, in some cases lenders are unable to obtain an appraisal based on a full interior and exterior inspection of the subject property. In response, Fannie Mae and Freddie Mac are allowing temporary flexibilities to our appraisal requirements.

**Effective Date:** Immediately for all loans in process and remain in place for loans with application date on or before May 17, 2020.

**Temporary Appraisal Requirement Flexibilities:** When an interior inspection is not feasible because of COVID-19 concerns, a desktop appraisal in lieu of the interior inspection appraisal (i.e., traditional appraisal) will be allowed.

If a traditional appraisal is not obtained and there is insufficient information about the property for an appraiser to be able to complete an appraisal assignment with a desktop appraisal, the loan will not be eligible for delivery to Fannie Mae or Freddie Mac.

**Drive-by/Exterior Only Appraisals are not eligible for HFA loans.**

Loan Purpose	LTV Ratio	Occupancy	Ownership of Loan Being Refinanced	Permissible Appraisals (in order of preference)
Purchase *	Per <i>Eligibility Matrix</i>	Principal residence	N/A	Traditional appraisal Desktop appraisal
All Refinances	As permitted in the Guide	All	All	Traditional appraisal Only

\*Excludes new construction and construction-to-permanent loans.

**Note:** For all Mortgages with LTV ratios greater than 80%, mortgage insurance will be required in accordance with Agency requirements.

## HFA: Temporary Flexibilities for Appraisals, continued

### Desktop Appraisals

For purchase money transactions when an interior and exterior appraisal is not available, desktop appraisals are preferred rather than an exterior-only appraisal.

The minimum scope of work for a desktop appraisal does not include an inspection of the subject property or comparable sales. The appraiser relies on public records, multiple listing service (MLS) information, and other third-party data sources to identify the property characteristics.

The table below provides the appraisal report form that must be used to complete the desktop appraisal for each property type:

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	Uniform Residential Appraisal Report (Form 1004/70)
Condominium unit	Individual Condominium Unit Appraisal Report (Form 1073/465)
Cooperative Unit	Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090)
2-4 Unit Property	Small Residential Income Property Appraisal Report (Form 1025/72)
Manufactured Home	Manufactured Home Appraisal Report (Form 1004C/70B)

Each desktop appraisal report must include the following exhibits:

- a location map indicating the location of the subject and comparables, and
- photographs of the subject property. We recognize that it may be challenging in some instances to obtain photographs; however, it is expected that the appraiser utilize available means to obtain relevant pictures of the subject property.

## Temporary Flexibilities for Employment Verifications

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

During this COVID-19 national emergency, in many cases lenders are unable to obtain verbal verification of employment (VVOE) due to disruption to operations of the borrower's employer. In response, Fannie Mae and Freddie Mac are allowing temporary flexibilities to VVOE requirements. However, the requirement that borrower must be employed, and the qualified income is accurate at the time of closing has not been waived.

**Effective Date:** Immediately for all loans in process and remain in place for loans with application date on or before May 17, 2020

### Verbal Verification of Employment

- **Written VOE:** The Selling Guide permits the lender to obtain a written VOE confirming the borrower's current employment status within the same timeframe as the verbal VOE requirements. An email directly from the employer's work email address that identifies the name and title of the verifier and the borrower's name and current employment status may be used in lieu of a verbal VOE; or
- **Paystub:** The lender may obtain a year-to-date paystub from the most recent pay period that immediately precedes the note date. Continue to follow the income requirements and guidance in the Agency guides; or
- **Bank statements:** The lender can provide bank statements (or other alternative documentation) evidencing the payroll deposit from the most recent pay period that immediately precedes the note date.

If the VVOE cannot be obtained and paystub or bank statement are received, the loan must go back to Underwriting so that the documentation can be reviewed to ensure that the correct income has been calculated to meet the Agency requirements. In addition to the requirements listed above, U.S. Bank is responsible for following all applicable Housing Finance Agency and Community Lending program requirements.



## Temporary Flexibilities for Employment Verifications, continued

**Verification of Business:** For self-employed borrowers, operations should verify the borrower's business is operational closer to the note date rather than rely on current Guide requirements (within 15 days instead of 120 days requirement). If the business is currently closed, the income may not be used to qualify.

**Continuity of Income:** In addition to the current COVID-19 situation potentially impacting employment, income could be reduced without a job loss occurring. In these instances, the most recent income should be used to qualify the borrower if the reduced income is likely to continue.

**Temporary Leave:** If the borrower is on temporary leave at the time of closing and the income is needed to qualify for the loan, lenders must determine the allow income and confirm employment per the Agency guidelines.

- Fannie Mae: Refer to the requirements in the [Selling Guide B3-3.1-09, Other Sources of Income](#).
- Freddie Mac: Refer to the requirements in the [Selling Guide 5303.5: Income while on temporary leave](#)

## Temporary Flexibilities for Verbal Verification of Employment for Portfolio

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

**Effective immediately** for all Portfolio loans in process (will remain in place for loans with application dates on or before May 17, 2020) Verbal Verification of Employment (VVOE) will be required as follows

- U.S. Bank must make all attempts to obtain VVOE. We need to document all efforts to contact the employer or other third party verification services (i.e. date, time, phone number called, etc.). **A verification from the employer emailed directly from the employer's work email address identifying the borrower's name and current employment status can be used in lieu of a verbal VVOE. U.S. Bank cannot accept pay stubs or bank statements as VVOE substitutes for Portfolio Loans** (only for Agency Loans).
- For both Salary/Wage Borrower VVOE and for self-employed borrowers, processors should verify closer to the note date rather than rely on current Policy requirements (i.e. within 5-days for Salary/Wage Earners and within 15-days for self-employed instead of 10- days and 120-days respectively)
- If U.S. Bank is unable to get a verbal or email verification of employment prior to closing, these efforts must be documented and indicate what transpired. For example, indicate that the employer (name of individual at employer's company) could not provide a verbal verification of employment and for what reason. An exception from underwriting manager or supervisor is required can make an exception based on their assessment or other information provided that the borrower is currently employed and will be at the time of closing.
- If the VVOE indicated that the borrower has been furloughed or laid off:
  - the loan cannot be approved for funding until the borrower either returns to work or receives a firm date upon which their employment will start within standard employment return to work guidelines.

## Work Number from Equifax

Because third-party vendor databases are typically updated monthly, the verification must evidence that the information in the vendor's database was no more than 35 days old as of the note date.

## IRS Processing Center Shutdown Impacting 4506-T Fulfillment Times

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

Due to the IRS processing delays associated with both mortgage volume levels and the COVID-19 national emergency, we are allowing temporary flexibility to 4506-T Tax Transcript requirements **effective immediately as follows:**

### 4506-T IRS Tax Transcript

- There is no change to the current requirement that the form 4506-T be executed by the borrower(s) and contained in the file so that income can be verified with the IRS at a later date.
- When a 4506-T Tax Transcript cannot be obtained in a timely manner, Underwriters can waive or adjust the tax transcript requirement if there is sufficient information to support income validation of salaried and wage earner borrower who show stability year over year.
- For loans where the underwriter does not have sufficient information (as indicated above) to support income validation, the underwriter may use the following alternative methods to confirm the borrower(s) income.
  - Copy of cancelled check(s) matching amount due the IRS
  - Copy of deposit matching exact amount of any return using bank statement, deposit receipt, or direct bank verification indicating the transaction
  - Electronic filing receipt from IRS indicating the Declaration Number (DCN), and AGI that matches the return.

## Correspondent Relations Teams Temporary Contact Information

We are encouraging our lenders to utilize the email addresses for each of the Correspondent Relations and Fulfillment contacts below as this is the most efficient means to provide the assistance during the current environment::

Contact	Email Address
<b>Nevada Correspondent Relations:</b> For questions regarding File Review, Receiving, Compliance, Pre-Pooling, Post closing	<a href="mailto:correspondentloanreview@usbank.com">correspondentloanreview@usbank.com</a>
<b>Owensboro Correspondent Relations:</b> For questions regarding File Review, Receiving, Compliance, Pre-Pooling, Post closing	<a href="mailto:owensboroloanreview@usbank.com">owensboroloanreview@usbank.com</a>
<b>High Risk Team</b>	<b>SSN/OFAC/NMLS:</b> <a href="mailto:corrlendinghighriskreview@usbank.com">corrlendinghighriskreview@usbank.com</a> <b>Appraisal Review:</b> <a href="mailto:tpocollateralreview@usbank.com">tpocollateralreview@usbank.com</a>
<b>TRID Review</b>	<a href="mailto:corrlendingtridreview@usbank.com">corrlendingtridreview@usbank.com</a> For questions pertaining to regulatory and TILA-RESPA Integrated Disclosure compliance: <a href="mailto:usbhmlendersupport@usbank.com">usbhmlendersupport@usbank.com</a>
<b>Specialized Flood Review</b>	<a href="mailto:usbhmfloodreview@usbank.com">usbhmfloodreview@usbank.com</a>

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**Reminder:  
Correspondent  
Mandatory  
Commitment  
Desk Telephone  
Changes**

As a reminder, the Mandatory Commitment Desk telephone option (877.742.6889) will not be available. Instead, we are currently utilizing our shared email box for inquiries as outlined below. Please send all inquiries for the **Mandatory Commitment Desk** including call-In bids, pair-off requests, or other time sensitive bid related items to the following email address as outlined:

- **Mandatory Commitment Desk Email:** [SubmitToUS@USBank.com](mailto:SubmitToUS@USBank.com)

**Note:** Please indicate **\*\*Urgent Request\*\*** in the subject line of your email.

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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.

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