



Seller Guide Update



SEL-2020-022: Multiple Topics including Temporary Flexibilities

April 1, 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). We are committed to providing home mortgages to customers during the current environment, and to providing information and resources to you so that we may continue to efficiently partner.

For additional information about our ongoing work to support customers, we invite you to visit [U.S. Bank's COVID-19 support site](https://www.usbank.com/covid19) for regular updates and the most current information.



Temporary Flexibilities for Employment Verifications for VA Loans

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

Effective Date: Immediately for all loans closing on or after March 27, 2020

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

Verification of Employment

- Written VOE: VA permits the lender to obtain a written VOE confirming the borrower's current employment status; or
- Third-party service to verify employment and income
- If the lender is not able to utilize a third-party service a VOE can be met with evidence of direct deposit from a bank statement and paystubs covering at least one full month of employment within 30 days of closing date. If this type of verification is done the Underwriter must document in Box 47 of the VA Form 26-6393 Loan Analysis.

If the VOE 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 VA requirements.

If the required VOE documentation cannot be obtained U.S. Bank and its lenders will not follow VA guidance allowing the borrowers to close with 2 months cash reserves. The loan will not be approved or purchased without VOE documentation.

In addition to the requirements listed above, U.S. Bank is responsible for following all applicable Housing Finance Agency and Community Lending program requirements.

Verbal Verification of Employment: VA does not have a Verbal Verification of Employment (VVOE) requirement, however, U.S. Bank does require a VVOE for all loans.

- Written VOE: U.S. Bank 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 VA requirements.

Verification of Business: VA does not have a Verification of Business (VOB) requirement, however, U.S. Bank does require a VOB for all self-employed borrowers.

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, we must determine the allowable income and confirm employment per U.S. Bank [VA Underwriting 712.6 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 30 days old as of the note date.

Temporary Flexibilities for Appraisals for VA

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

Effective Date: Immediately for all loans closing on or after March 27, 2020.

VA Appraisers should continue to conduct business as outlined in Chapter 10 of the M26-7, Lender's Handbook, https://www.benefits.va.gov/WARMS/pam26_7.asp. During this 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, VA is allowing temporary flexibilities to their appraisal requirements. U.S. Bank will allow the appraisal flexibilities listed below. Regardless of these flexibilities, U.S. Bank and its lenders will still comply with UAD, UCDP and SSR requirements.

Temporary Appraisal Requirement Flexibilities

When an interior inspection is not obtainable due to COVID-19 pandemic, 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. We must document why this flexibility was utilized.

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 Ginnie Mae.

Borrowers should be made aware that refusing to allow an appraiser in when a traditional appraisal is required may delay the loan process.

The flexibilities apply to Purchase transactions loan amounts limited to the maximum Agency 2020 conforming loan limits for 1 unit limit for the county or county equivalent area. Purchase and Cash out loan amounts greater than the conforming 1-unit county limit must have an interior exterior appraisal.

Loan Purpose	Permissible Appraisals (in order of preference)
Purchase equal to or less than the Agency 2020 conforming county loan limits for 1 unit	Traditional appraisal Desktop appraisal Exterior-only appraisal (excluding HFA)
Purchases exceeding the Agency 2020 conforming county loan limits for 1 unit	Traditional appraisal only
Cash Out Type I & Type II	Traditional appraisal only
IRRRL	No appraisal required

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.

Lenders must state in both public notes in WebLGY and by email to the appraiser if they will accept a Desktop appraisal.

Temporary Flexibilities for Appraisals for VA, continued

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.

VA requires appraisers to attach a copy of the provided Scope of Work (SOW) VA Circular 26-20-11 Exhibit A.

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a VA approved condominium unit	Uniform Residential Appraisal Report 1004, 1073
2-4 Unit Property	Uniform Residential Appraisal Report 1004, 1025
Manufactured Home	Uniform Residential Appraisal Report 1004C

Exterior-only inspection appraisals

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a VA approved condominium unit	Uniform Residential Appraisal Report 2055/1075
2-4 Unit Property	Uniform Residential Appraisal Report 1025
Manufactured home	Uniform Residential Appraisal Report 1004C

For each exterior-only appraisal the appraiser will:

- review the full exterior of the property and provide photos of all sides of the property with detailed notes of the exterior and any visible MPRs. In instances of obstructed or restricted view and access is unable to be granted or allowed, Multiple Listing Service (MLS) photos of these areas may be utilized. If MLS photos are utilized, it must be explained in the appraisal report.
- Include a measurement of the footprint of the home should be provided if accessible. This is not to determine the gross living area (GLA) but for the appraiser to reconcile with public records.
- conduct a detailed interview over the phone with the occupant, Veteran, or real estate professional regarding the property. It is the appraiser's responsibility to obtain sufficient information to provide a creditable report. Interview questions should be noted and kept in the appraisers work file. Key items that may impact market value should be noted in the appraisal report with details about what was provided and by whom.

Completion reports: Certification of Repairs will be completed with documentation from licensed personnel i.e. paid bill for repairs. Lead base paint repair certifications must still be completed by the appraiser.

Termite Reports: Termite Inspection report for properties located in an area on the Termite Infestation Probability Map of "very heavy" or moderate to heavy" will still be required.

Additional NOV Conditions: Any additional items that need to be met on the NOV to comply with VA requirements must be met and completed in **60** days from the date of the NOV issuance.

Appraisal Fees: Fees for Exterior- Only appraisal with enhanced assignment conditions or a Desktop appraisal will remain the same as an Interior appraisal. VA may require appraisers to complete a 1004D appraisal update within one year of completing an Exterior-Only or Desktop appraisal under the same fee payment.

Temporary Flexibilities for Employment Verifications and Appraisal Requirements for FHA

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
<input checked="" 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 checked="" type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

Effective Dates:

- Immediately for reverification of employment loans closed on or before May 17, 2020.
- Immediately for appraisals completed on or before May 17, 2020.

During this COVID-19 national emergency, in some cases lenders are unable to obtain verbal verification of employment (VVOE) or an appraisal based on a full interior and exterior inspection of the subject property. In response, FHA is allowing temporary flexibilities to VVOE and appraisal requirements. U.S. Bank is providing additional guidance specific to FHA loans originated or sold to U.S. Bank regarding the limitations and use of the FHA flexibilities.

Verification of Employment

If a VVOE is not able to be obtained within 10 days prior to closing the following items can be obtained as alternative methods of reverification of employment:

- For all transactions, evidence the Borrower has a minimum of 2 months of Principal, Interest, Taxes and Insurance (PITI) in reserves; and
- One of the following:
 - A year-to-date paystub for the pay period that immediately precedes the Note date, or
 - A bank statement showing direct deposit from the Borrower's employment for the 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 most up-to-date income has been calculated to meet FHA requirements.

If reverification of employment prior to note date cannot be obtained or shows that the borrower is currently out of work, the loan is not eligible for FHA insurance.

In addition to the requirements listed above, U.S. Bank is responsible for following all applicable Housing Finance Agency and Community Lending program requirements.

Verification of Business

FHA does not have a Verification of Business (VOB) requirement, however, U.S. Bank does require a VOB for all self-employed borrowers.

For self-employed borrowers, operations must 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, we must determine the allowable income and confirm employment per 4000.1: FHA Single Family Housing Policy Handbook.

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 30 days old as of the note date.

Appraisal Reports for Purchase and Rate-Term Refinance

When a full interior and exterior appraisal cannot be completed due to COVID 19 concerns by the appraiser or the occupant of the property, the appraiser may amend the scope of work to perform an Exterior-Only (viewing from the street) or Desktop-Only for Purchase Transactions¹. The Exterior-Only and Desktop-Only Appraisal options must continue to be reported on the current FHA approved appraisal forms with amended certifications and scope of work disclosures. U.S. Bank has additional requirements in addition to the FHA requirements for both Desktop-Only option and Exterior-Only option. Of the two options, the Desktop option is preferred for purchase transactions in that the recent MLS listing information, descriptions, and pictures of the property from inside and outside are typically available.

For that reason, Exterior-only appraisals are not eligible for Housing Finance Agency loans in that they are more limited in their assessment.

Exterior-Only Option: Each Exterior-Only appraisal report must include the following:

- 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.

Desktop-Only Option: Each Desktop-Only appraisal report must include the following:

- a location map indicating the location of the subject and comparable, 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.

¹Does not apply to New Construction, Construction to Perm, or Building on own land.

Appraisal Reports for Cash Out

Traditional interior and exterior Appraisal required

Appraisal Forms and Amended Certifications

The optional Exterior-Only and Desktop-Only appraisals must be reported on the existing Acceptable Appraisal Reporting Forms by Property and Assignment Type. These forms will require amended certifications and clear scope of work disclosures.

Exterior Appraisal forms Fannie Mae 2055 and Fannie Mae 1075 are not FHA approved forms and are NOT compatible with FHA's Electronic Appraisal Delivery (EAD) portal.

The appraisal report must include a signed certification indicating whether the Appraiser did or did not personally inspect the subject property and the extent of the inspection. FHA has provided [model certifications](#) for the Exterior-Only and Desktop-Only scope of work.

Repairs

When an appraisal update and or Completion Report (1004D) Part B is required, a letter from the borrower confirming the work was completed along with evidence of completion i.e. paid invoices, photographs of completed work, or other similar documentation is allowed. All completion documentation must be retained in the case binder.

Temporary Flexibilities for Employment Verifications and Appraisal Requirements for RD

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

Effective Date: Immediately and in effect for a period of 60-days.

During this COVID-19 national emergency, in some cases lenders are unable to obtain verbal verification of employment (VVOE) or an appraisal based on a full interior and exterior inspection of the subject property. In response, RD is allowing temporary flexibilities to VVOE and appraisal requirements.

Verification of Employment: Lenders must document and verify the borrowers annual and repayment income in accordance with USDA Rural Development regulations. Lenders should use due diligence in obtaining the most recent income documentation to reverify the borrowers repayment ability prior to closing.

- For all transactions, evidence the Borrower has a minimum of 2 months of Principal, Interest, Taxes and Insurance (PITI) in reserves; and

One of the following:

- A year-to-date paystub for the pay period that immediately precedes the Note date,
- or
- A bank statement showing direct deposit from the Borrower's employment for the pay period that immediately precedes the Note date, or
- 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 VVOE.

When the lender is unable to obtain a VVOE within 10 business days of loan closing due to a temporary closure of the borrower's employment, alternatives should be explored. For example, email correspondence with the borrower's employer is an acceptable alternative to a VVOE. In the case of a reduction of income, the borrower's reduced income must be sufficient to support the new loan payment and other non-housing obligations. Borrower's with no income at the time of closing are not eligible for SFHGLP loans regardless of available cash reserves.

If the required VVOE documentation cannot be obtained U.S. Bank will not follow USDA guidance allowing the borrowers to close with 2 months cash reserves. The loan will not be approved without VVOE documentation. The loan file must show evidence that the borrower is employed at the time of closing. In addition to the requirements listed above, U.S. Bank is responsible for following all applicable Housing Finance Agency and Community Lending program requirements.

Verification of Business: RD does not have a Verification of Business (VOB) requirement, however, U.S. Bank does require a VOB for all self-employed borrowers. 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, we must determine the allowable income and confirm employment per Rural Development HB-1-3555 SFH Guaranteed Loan Program.

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 30 days old as of the note date.

Appraisal Reports

For purchase and non-streamlined refinance transactions, when an appraiser is unable to complete an interior inspection of an existing dwelling due to concerns associated with the COVID-19 pandemic, an "Exterior-Only Inspection Residential Appraisal Report", (FHLMC 2055/FNMA 2055) will be accepted.

Exterior-only appraisals are not eligible for Housing Finance Agency loans in that they are more limited in their assessment.

Exterior-Only Option

Each Exterior-Only appraisal report must include the following:

- 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.

In such cases, appraisers are not required to certify that the property meets HUD HB 4000.1 standards. The appraisal must be completed in accordance with the Uniform Standards of Professional Practice (USPAP) and the Uniform Appraisal Dataset (UAD).

This exception is not applicable to new construction properties or construction to permanent loans.

Repairs for Inspections Existing Dwelling

Loans for which a completion certification is not available due to issues related to the COVID-19 pandemic, a letter signed by the borrower confirming that the work was completed is permitted. Lenders 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.

This exception is not applicable to rehabilitation and repair loans noted in section 12.28 of HB-1-3555.

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.
