



# Seller Guide Update



SEL-2020-097: Special Flood Hazard Coastal Areas, HFA Overlays and HFA Final Documents December 11, 2020

- Correspondent Lending
- Housing Finance Agency (HFA)

## Table of Contents

### The following topics are included in this update:

Coastal Areas in Special Flood Hazard Areas.....	2
HFA Overlay Matrix Update .....	2
Address Change: HFA Final Documents.....	3
Questions.....	3

## 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 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).

For information about our ongoing work to support our lending partners and customers, we invite you to visit our Correspondent/HFA COVID-19 Resource Page within AllRegs for regular updates and the most current information. We know you have many questions and we are diligently working to address each of them.

We have developed a list of [COVID-19 Frequently Asked Questions](#) and will continue to update this document on a regular basis to keep you informed of process and policy updates.

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.



## Coastal Areas in Special Flood Hazard Areas

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 with locks on and after January 1, 2021.

Special Flood Hazard Area (SFHA) designated as V, VE and V1-V30 are areas susceptible to coastal flooding, which is likely to increase over time with sea-level rise due to climate change. Risks and associated costs from potential sea level rise and coastal flooding are not yet fully embedded in coastal real estate property values.

To mitigate this risk, U.S. Bank will be limiting the maximum LTV/CLTV for structures located in these coastal areas.

### Maximum LTV/CLTV

**In coastal areas that are susceptible to flooding, the maximum Loan-to-Value (LTV)/Combined Loan-to-Value (CLTV) is 80%.** These structures are identified by a Special Flood Hazard Area (SFHA) designated as V, VE and V1-V30 flood zone, by the Federal Emergency Management Agency (FEMA).

Because the risk is associated with the property value and not with the structure or the borrower, there will be no compensating factors (e.g. 100% Replacement Cost coverage, Mortgage Insurance) to allow for LTV/CLTV exceptions in these coastal areas.

### Special Flood Hazard Area (SFHA) Defined

The SFHA designated as V, VE and V1-V30 are areas subject to inundation by the 1-percent-annual-chance flood event with additional hazards associated with either storm-induced waves or storm-induced velocity wave action.

**Guide Update: The Product Guidelines (listed below) will be updated in AllRegs with a targeted publication date for these changes January 1, 2021:**

3776 USBHM 30 year	3307 USBHM 3/1 ARM
3784 USBHM 20 year	3045 USBHM 5/1 ARM
3777 USBHM 15 year	3309 USBHM 7/1 ARM
3783 USBHM Investor Paid Mortgage Insurance Fixed	3317 USBHM 10/1 ARM
3782 USBHM Investor Paid Mortgage Insurance Fixed	3320 USBHM Investor Paid Mortgage Insurance ARM
	3319 USBHM Investor Paid Mortgage Insurance ARM

## HFA Overlay Matrix Update – FHA Loans

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 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 immediately, U.S. Bank is eliminating the following HFA Overlay:

- **FICO – FHA**
  - For FHA loans where one borrower has a FICO score that is less than 660 the following requirements apply:
    - **Eliminating** - All borrowers whose income is being used to qualify for the loan must have been on their current job for 6 months
    - The overlay of one-month reserves will still be required.

**Guide Update:** HFA Overlay Matrix

## Address Change: HFA Final Documents

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


## Questions

As a reminder, and as previously published, beginning November 13<sup>th</sup>, all **HFA Final Documents** should be delivered to the following address:

Current Address	New Address (beginning 11/13/20)
<b>U.S. Bank</b> Centralized Image Capture EP-MN-HMP1 7601 Penn Avenue South, Suite A1 Richfield, MN 55423	<b>U.S. Bank</b> Attn: CIC HFA Final Docs EP-MN-X3CI 9380 Excelsior Blvd, 3 <sup>rd</sup> Floor Hopkins, MN 55343

**Note:** This change is for HFA only and does not impact Correspondent loans.

**Guide Updates:** U.S. Bank HFA Lending > 900: Delivery and Funding > M. Final Documentation

 **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.