



PROGRAM INFORMATION UPDATE – RE: Overlay

September 10, 2021

On May 26, 2021, US Bank issued Seller Guide Update SEL-2021-26. Within that communication they announced, **“many of the COVID credit-related restrictions and flexibilities are being eliminated”**.

It has recently come to my attention that the **specific** US Bank overlay of a 1-month reserve on FHA transactions where the borrower has a credit score between 640-659 was an overlay that was eliminated as one the **many** COVID credit-related items lifted.

We have updated the AzIDA HOME Plus Program Guidelines and HOME Plus Summary for Lenders to reflect this change. I have also attached to this document, USB SEL 2021-26 Seller Guide, USB Ginnie Overlay Matrix and AzIDA – USB Government Loan Product overview. All of which support that change.

Thank you,

Dirk Swift
Program Administrator

Government Loan Products

FHA, VA, USDA/RD

Where this Product Guide is silent or for information not contained herein, Lenders must follow the more restrictive guidelines of the [Arizona Industrial Development Authority](#) Program guides, FHA, VA, or USDA/RD requirements.

Loan Purpose and Product	<ul style="list-style-type: none"> • Purchase • Fixed Rate with 30 Year Amortization • Conforming loan limits • Refer to Arizona Industrial Development Authority for more details on allowable transactions
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Borrower Eligibility	Loans must comply with the more restrictive requirements of the Arizona Industrial Development Authority guide or the underlying product guidelines for FHA, VA, or USDA/RD.
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Co-Signer	Loans must comply with the more restrictive requirements of the Arizona Industrial Development Authority guide or the underlying product guidelines for FHA, VA, or USDA/RD.
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Income Limits	Loans must comply with the more restrictive requirements of the Arizona Industrial Development Authority guide or the underlying product guidelines for FHA, VA, or USDA/RD.
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Sales Price Limits	Refer to the Arizona Industrial Development Authority guidelines for details.
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Eligible Property Type	Eligible Properties	Ineligible Properties
	<ul style="list-style-type: none"> • 1 - 2 Units • Approved Condos and Townhomes • Manufactured Homes 	<ul style="list-style-type: none"> • 3 - 4 Units • Manufactured Home Condos • Single-Wide Manufactured Homes • Co-ops

Loan to Values (LTV/TLTV/CLTV)	For LTV and TLTV/CLTV requirements all loans must comply with the more restrictive requirements of the Arizona Industrial Development Authority guide or the underlying product guidelines for FHA, VA, or USDA/RD.
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Debt to Income (DTI) FICO	AUS Submissions - Accept/Approve Eligible				
	Product Type	Property Type	Minimum FICO ²	Maximum DTI ³ GUS, LPA, DU	Required Reserves
	VA USDA/RD	1 – 2 Units, Condos/Townhomes ⁴	640	45%	As determined by GUS, DU, or LPA
		Manufactured Homes ⁵	680	45%	
FHA	1 – 2 Units, Condos/Townhomes ⁴	640	45%	As determined by GUS, DU, or LPA	
	Manufactured Homes ⁵	680	> 45% - 50%		
Manually Underwritten ¹					
Product Type	Property Type	Minimum FICO ²	Maximum Ratios ³		Required Reserves
			Housing	Total Debt	
VA	1 – 2 Units, Condos/Townhomes ⁴	640	N/A	41%	2
USDA	1 – 2 Units, Condos/Townhomes ⁴	640	29%	41%	2
FHA	Not Allowed				

1. Refer to [Manual Underwriting](#) below for additional information.
2. Minimum credit score shown is required for all borrowers. If [Arizona Industrial Development Authority](#), FHA, VA, or USDA/RD require a higher FICO, the highest required FICO score must be used.
3. Maximum DTI; if [Arizona Industrial Development Authority](#) FHA, VA, or USDA/RD require a lower DTI, the lowest required DTI must be used.
4. Refer to [Condo Project Approval Requirements](#) below for condo approval information.
5. Manufactured homes must meet all HFA, State, FHA, VA, USDA/RD, and U.S. Bank requirements to be eligible for sale to U.S. Bank Home Mortgage. Refer to the HFA Lending Guide [900: H. Manufactured Housing Requirements](#), [713.19 Manufactured Housing](#), [1500: Manufactured Housing](#), and [Arizona Industrial Development Authority](#) for additional information.

Automated Underwriting Systems (AUS)	Loans must comply with the requirements of the FHA, VA, or USDA/RD guidelines per the selected underlying product. This includes but is not limited to the following requirements: <ul style="list-style-type: none"> • GUS - Accept/Eligible only, no exceptions • Loan Product Advisor (LPA) – Accept • Desktop Underwriter (DU) – Approve • For maximum DTI and FICO refer to the DTI / FICO table above
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Manual Underwriting Guidelines	<p>Loans may only be manually underwritten for erroneous, inaccurate, or insufficient credit.</p> <p>Loans must comply with the requirements of the FHA, VA, or USDA/RD guidelines per the selected product. This includes but is not limited to the following requirements:</p> <ul style="list-style-type: none"> • Not Allowed on: <ul style="list-style-type: none"> ○ FHA loans ○ Manufactured homes • If the HFA, VA, or USDA/RD require more in reserves than listed in the LTV / DTI / FICO tables above; the greater number of months must be documented. • For maximum DTI and FICO refer to the DTI / FICO table above.
Appraisal Requirements	Appraisal with interior and exterior inspection
Condominium Project Review Requirements	Refer to the HFA Lending Guide 800: Condominium Project Review , sections 810 and 812, for all U.S. Bank condo requirements and the Arizona Industrial Development Authority Program for additional Condo eligibility details.
Home Buyer Education	Follow the requirements of the Arizona Industrial Development Authority Program, FHA, VA, or USDA/RD guides. The more restrictive guidelines must be followed.
Subordinate Financing	Allowed per the FHA, VA, or USDA/RD underlying product guidelines.
HFA Program Fees	Refer to the HFA Lending Guide Program Fees and Arizona Industrial Development Authority guide for other fees.
Lender Compensation	Refer to the Arizona Industrial Development Authority guide for details on compensation and fees.
Assumable	<ul style="list-style-type: none"> • Loans must comply with the more restrictive requirements of the Arizona Industrial Development Authority guide or the selected underlying product, FHA, VA, or USDA/RD. • Assumptions section of the Final Closing Disclosure must be checked as applicable with “Will Allow” or “Will Not Allow”.
Buydowns	Not allowed
Escrow Waivers	Not allowed
Correspondent Disclaimer	<p>Loans underwritten by U.S. Bank Home Mortgage are subject to additional underwriting requirements. Refer to the HFA Lending Guide, Bulletins and Communications for requirements.</p> <p>The information contained in this product description does not modify, replace, or substitute any requirements or information under FHA, VA, USDA/RD, Freddie Mac Loan Product Advisor guide, Fannie Mae Desktop Underwriter guide, RD/GUS system, related release notes, or any supplements. Lenders are responsible for checking FHA, VA, USDA/RD, U.S. Bank HFA Division, and Arizona Industrial Development Authority communications for updates, current underwriting guidelines and ensuring the loan meets all requirements.</p> <p>Several states and local municipalities have enacted legislation that define High Cost loans based on APR and fee thresholds which may or may not relate to the HOEPA thresholds. These types of loans typically have various restrictions. <i>It is the policy of U.S. Bank Home Mortgage not to purchase any loan defined as High Cost under any federal or state law/regulation, local ordinances, and any subsequent amendments thereto.</i></p>





U.S. Bank Consolidated Government Overlays applicable to Delegated Housing Finance Agency Lending Division (as of 05/21/2021)

To mitigate the risk on the loans we purchase, U.S. Bank Home Mortgage has overlays to Government guidelines (i.e. FHA, VA and USDAR/D).

- Note: Unless outlined above/below as a U.S. Bank Credit Overlay, Delegated Lenders can follow Government Underwriting Guidelines and their own interpretation and application of those guidelines. Underwriting and Loan Eligibility compliance is backed by the Lender's Reps & Warrants as a Seller to U.S. Bank Home Mortgage. U.S. Bank Home Mortgage publishes on AllRegs our underwriting guidelines, practices, and clarifications that we follow when we underwrite a loan based on our own assessment of risk. Delegated Lenders are encouraged but not required to use these guidelines and clarifications when underwriting a loan to be sold to U.S. Bank.
- An "X" in the investor column indicates that the overlay applies to loans submitted under a lender's delegated underwriting authority or delivery channel.
- The Overlay Descriptions are summarized alphabetically by subject in each section.
- References are not all-inclusive and this document should be used in conjunction with the HFA Lending Guide. For complete product guidelines, refer to the applicable product and underwriting guidelines within our seller guide.
- Items added, removed or modified are referenced in the Seller Guide Update that are released along with the most recent version of the Matrix.
- If there are conflicts between the Overlay Matrix and the Underwriting and/or Product Guidelines, follow the Underwriting and/or Product Guidelines.

Section	Overlay Description	FHA	VA	USDAR/D
Underwriting Guideline Overlays applicable to Delegated Underwriting Authority				
000 COVID-19 Resources	203K U.S. Bank will not allow any temporary flexibility allowed by FHA to continue administering the Rehabilitation Escrow Account, including the approval of extension requests and release of funds, which will allow the project to continue for mortgages where the Borrower is in forbearance due to the impacts of COVID-19.	X		
000 COVID-19 Resources	Re-Verification of Employment for VA IRRRL Only (For applications taken before April 1, 2021) U.S. Bank requires reverification of employment for all loan types: 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.		X	
500 Product Guidelines	FICO Minimum FICO score requirements are stated within the HFA specific product guides Section 500	X	X	X
500 Product Guidelines	Condominium Single Unit Approval Any Delegated Client utilizing their own DE may use the Single Unit Approval review however, any loan utilizing the Single Unit Approval will have a maximum LTV of 90% LTV (including MIP). (Refer to 815.06)	X		
500 Product Guidelines	Debt-to-Income (DTI) Maximum DTI requirements are stated within the HFA specific product guides	X	X	X
500 Product Guidelines	Manufactured Housing Not allowed. For possible exception, see specific HFA Product Guide.	X	X	X
711.07 Credit/Debt Underwriting; 500 Product Guidelines	Manual Underwriting Not allowed; For possible exception, see specific HFA Product Guide.	X		
711.08 Monthly Payment Escrows	Monthly Housing Payment Special Levied Assessments - U.S. Bank requires these monthly assessment amounts be added to the qualifying PITIA.	X		
712.09 Credit/Debt Underwriting; 500 Product Guidelines	Manual Underwriting 1. Minimum two months PITIA reserves after closing (or per product guide if greater) 2. No manufactured homes 3. See specific HFA Product Guide as additional restrictions may apply.		X	
712.10 Monthly Payment Escrows	Monthly Housing Payment Special Levied Assessments - U.S. Bank requires these monthly assessment amounts be added to the qualifying PITIA.		X	
712.12 VA Refinance Loans	VA IRRRL (Not Serviced by U.S. Bank) 1. Tri-merged credit report required. 2. No Investment or Second Homes permitted. 3. 0x30 days delinquent in most recent 12-months. 4. VVOE/VVOB is required (No income documentation is required)		X	
712.24 Secondary/Subordinate Financing	PACE Funding Not allowed.		X	
715.06 Secondary/Subordinate Financing	PACE Funding Not allowed.			X

Section	Overlay Description	FHA	VA	USDA/RD
715.07 Credit/Debt Underwriting	Federal and State Tax Repayment Plans All Federal and State Tax repayment plans must be paid in full			X
715.07 Credit/Debt Underwriting; 500 Product Guidelines	Manual Underwriting 1. Minimum two months PITIA reserves after closing (or per product guide if greater) 2. No manufactured homes 3. See specific HFA Product Guide as additional restrictions may apply.			X
715.08 Monthly Payment Escrows	Monthly Housing Payment Special Levied Assessments - U.S. Bank requires these monthly assessment amounts be added to the qualifying PITIA.			X
715.09 Exception Policy	Credit or Debt Waivers U.S Bank Home Mortgage does not allow any credit or debt waivers for Rural Development loans.			X
715.17 Water Systems	Individual Water Systems in Hawaii Individual Water Systems including Rain Catchment Systems in Hawaii will not be allowed			X
900.D Escrow Information	Levied Special Assessments All levied special assessments must be included in the PITIA for proper DTI and reserve calculations.	X	X	X
900.H Manufactured Housing Requirements	Manufactured Housing ALTA 7.1 needed on manufactured homes. Manufactured Home Limited Power of Attorney is required for loans where Title has not already been surrendered.	X	X	X
900.M Final Documentation	Survey Exceptions ALTA 9 required if there are survey exceptions.	X	X	X



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Seller Guide Update



SEL-2021-026: Changes to Agency COVID-19 Guidelines and Practices

May 21, 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 type="checkbox"/>	Conv. (Portfolio)
<input type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

In **SEL-2021-022**, we announced phase 1 updates made to Agency, Government and Portfolio flexibilities. As also mentioned in that update, we are now implementing phase 2 of these updates **for Agency loans as outlined below effective with locks and/or new loan reservations taken as of May 21, 2021.**

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.

- **Current/Phase 2:** Additional Flexibility/Overlay removals and updates effective with Agency locks and/or new reservations as of May 21, 2021.
- **Previously Issued Phase 1 as announced in SEL-2021-022:** Agency, Government and Portfolio Flexibility/Overlay removal and flexibility updates.

Key Changes

- Any overlay that was directly correlated due to a restriction or flexibility issued by the Agencies will be removed when that guidance has expired.
- 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 2 with a more in depth listing are included on the last page.

FICO Changes

Returning to the pre-COVID product requirements. Refer to the summary document at the end of this announcement for details.

Cash Out Refinance Loans

Returning to the pre-COVID product requirements except for the following:

- No Investment properties
- U.S. Bank Second mortgage cannot be used in conjunction with a cash out first mortgage

Refer to the summary document at the end of this announcement for details.

Community Seconds or Down Payment Assistance Programs

Returning to the pre-COVID product requirements. Refer to the summary document at the end of this announcement for details.



Appraisal Flexibilities

U.S. Bank announced extensions to Agency Temporary flexibilities in SEL-2021-021. The temporary flexibilities are effective for **Application Received Dates through April 30, 2021 to Mortgages with Application Received Dates through May 31, 2021 for the following:**

Please note that additional extensions beyond this date are not expected and will expire.

- Refer to U.S. Bank's SEL-2020-021, SEL-2020-027 and SEL-2020-029 for additional details.

Communication	Topic
SEL-2020-021	<ul style="list-style-type: none"> Correspondent: Temporary Flexibilities for Appraisals HFA: Temporary Flexibilities for Appraisals
SEL-2020-027	<ul style="list-style-type: none"> Temporary Flexibilities for Agency Appraisals on New Construction Properties

Operational Procedures

The following requirements/overlays will remain unchanged at this time:

- For salary and wage earners underwritten by U.S. Bank, employment must be reverified within 5 business days of the note date using the standard Verbal Verification of Employment (VVOE). If the VVOE is not available, the alternative documentation process outlined in the memo may be used. If the initial closing date was extended, an additional employment reverification is not required unless the closing date was extended by 5 days or more (maximum of 10 days prior to note date.)
- U.S. Bank will require a COVID Borrower Attestation be included in all loan files.

Seller and Lending Guide Updates

Underwriting Guidelines:

Underwriting restrictions related to COVID are rescinded including requirements as outlined in this update. This guidance will be updated in the Underwriting Guidelines and COVID-19 FAQs.

Product Guidelines:

The following Correspondent Product Guidelines will be updated in AllRegs with a targeted publication date of May 21, 2021:

Correspondent Impacted Products	
3501 FNMA 30 year	3684 FHLMC Investor Paid MI 80.01%-85%
3502 FNMA 15 year	3685 FHLMC Investor Paid MI 85.01% -90%
3503 FNMA 20 year	3686 FHLMC Investor Paid MI 90.01%-95%
3507 FNMA 10 year	3519 FNMA HomeReady
3601 FHLMC 30 year	3687 FHLMC Home Possible
3602 FHLMC 15 year	3691 FHLMC Home Possible MH
3604 FHLMC 20 year	3666 30 YR FHLMC MH
3619 FHLMC 10 year	3667 20 YR FHLMC MH
3626 FHLMC Jumbo 30 year	3668 15 YR FHLMC MH
3627 FHLMC Jumbo 15 year	

Correspondent and HFA Overlay Matrices: The Correspondent and HFA Overlay Matrices have been updated as follows:

<ul style="list-style-type: none"> 1400.01: US Bank Delegated Correspondent Agency Overlays 1400.03: U.S. Bank Non-Delegated Correspondent Agency Overlays 	<ul style="list-style-type: none"> U.S. Bank HFA Overlay Matrices (<i>refer to SEL-2021-028</i>)
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COVID-19 Frequently Asked Questions: The COVID-19 FAQ has also been updated.

Summary of Changes

The following is a summary of the changes that are being made to Agency guidelines in Phase 2:

Product	Current Guidelines/Overlay	May 2021
Purchase and Rate/Refinance		
Correspondent Minimum FICO	640	620 to 45% DTI 680 to 50% DTI
Cash Out Refinance		
Minimum FICO	720	620 to 45% DTI 680 to 50% DTI
Occupancy	Primary Residence only	Primary 2-4 Unit to 75% 2 nd Homes to 75%
Subordinate Financing	New Subordinate financing is not allowed	Subordinate financing cannot be a U.S. Bank second.
Down Payment Assistance		
Correspondent Down Payment Assistance	Non-Delegated Lenders: When any funds used for closing costs or down-payment are from Down Payment assistance (DPA) or Closing Cost assistance grants, loans or other similar programs. minimum credit score of 700 and max DTI of 43% required	Removed in its entirety.

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.