

# Appendix

- Business Portal Resources
  - Reporting Samples
- Fannie Mae's Defect Classification System

# Business Portal Resources

## The Single-Family Business Portal Main Page



The screenshot displays the FannieMae Single-Family Business Portal. The header features the FannieMae logo and a navigation menu with links: SINGLE-FAMILY, ORIGINATING & UNDERWRITING, PRICING & EXECUTION, DELIVERING, SERVICING, TRAINING, and TECHNOLOGY INTEGRATION. A search bar and a 'Login' button are also present.

The main content area has a large banner with the text: "Fannie Mae Offers An Innovative Suite of Premier Risk Management Technologies including Desktop Underwriter, Collateral Underwriter, and EarlyCheck. Greater Certainty Now at No Cost >". To the right of the text is a graphic of stylized houses in various colors.


Below the banner, the page is organized into several sections:

- Sign Up for Email Updates:** A button to sign up for email updates.
- Quick Links For:** A list of links for different user roles: Appraisers, Attorneys, Document Custodians, Housing Counselors, Housing Finance Agencies & Public Entities, Mortgage Brokers & Correspondents, Mortgage Insurers, Real Estate Developers & Manufacturers, Real Estate Professionals, REO Listing Agents & Vendors, and Settlement Agents.
- Access the Single-Family Guides:** A section with links to "Selling Guide" (marked as updated) and "Servicing Guide".
- Focus Areas:** A list of topics including Assistance in Disasters, Loan Quality, Mortgage Fraud Prevention, Partnerships Designed to Increase Homeownership, and Uniform Mortgage Data Program (UMDP).
- Doing Business with Fannie Mae:** A section with links to "Become a Fannie Mae Seller/Servicer", "Lender Eligibility Reporting Requirements", "Mortgage Products, Features, and Options", and "Execution Options".
- Need Help Navigating the Website?:** A link to "Top 5 Search Tips".
- Fannie Mae News:** A section with links to "Fannie Mae Earnings Report", "Economic & Housing Outlook", "Fannie Mae Commentary", "National Housing Survey", and "Fannie Mae Progress Report".
- Single-Family Events:** A section with a link to "Fannie Mae is proud to participate in local and national industry events".
- Find the Resources You Need:** A section with links to "Homebuyer, Real Estate Professional ...", "Homeowner, Renter ...", and "Real Estate Broker, Appraiser, or Repair Contractor ...".

The footer includes social media links (Twitter, Facebook, LinkedIn, YouTube), a "PRINT" button, and a copyright notice: "© 2015 Fannie Mae".

<https://www.fanniemae.com/singlefamily/index>

## The Training Page



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### Training



The Housing Finance Institute® (HFI™) provides access to a wide range of training to help you do business with Fannie Mae, including HFI InDepth virtual classrooms, HFI Spotlight webinars, and HFI OnDemand eLearning courses, job aids, and FAQs.




**Match Your Training Needs to Our Training Resources**  
An Interactive Training Tool


#### Our Training Methods

**HFI OnDemand - Just-in-Time Learning**  
Training when you need it. No registration necessary. Organized by mortgage function.

- Originating & Underwriting Training
- Pricing & Execution Training
- Delivering Training
- Servicing Training



**Qualifying the Borrower Video Series**



This new series answers popular underwriting questions. The animations are quick, focused and arranged by topic to help you refresh your knowledge without investing much time.

#### Applications & Tools

For additional application training, see each application page:

- Asset Management Network
- Cash Remittance System
- Collateral Underwriter
- Condo Project Manager
- Desktop Originator
- Desktop Underwriter
- EarlyCheck
- eCommitONE
- eCommitting
- Home Counselor Online
- Loan Delivery
- MBS Reporting
- Message Manager
- Profile Access Manager for Non-Lenders
- Quality Assurance System
- Servicing Management Portal
- SURF
- Technology Manager: Registration & Account
- Uniform Collateral Data Portal (UCDP)

#### HFI InDepth - Virtual Classroom

Register for a live virtual class that emphasizes learner participation. Fee applies.

#### HFI Spotlight - Webinars

Register for a free live webinar on current policy updates, technology application changes, and other Fannie Mae initiatives.

#### Upcoming HFI Live Sessions

Title	Date & Time	Type
Ask the Expert Sessions (UCDP Release and Score/Message)	See link for dates	Spotlight
Beyond Approve/Eligible: Interpreting the DU Underwriting Findings Report	Aug 11 at 10 am ET	InDepth
Collateral Underwriter User Interface Basic Training <b>new</b>	Aug. 12 at 2 pm ET	Spotlight
Bank vs. Book! Reconciling Actual/Actual Custodial Accounts	Aug. 13 at 1:30 pm ET	InDepth
Beyond Approve/Eligible: Interpreting the DU Underwriting Findings Report	Aug. 25 at 2pm ET	InDepth
Collateral Underwriter User Interface Advanced Training <b>new</b>	Aug. 26 at 2 pm ET	Spotlight
Beyond Approve/Eligible: Interpreting the DU Underwriting Findings Report	Sept. 9 at 2pm ET	InDepth
Collateral Underwriter User Interface Basic Training <b>new</b>	Sept. 16 at 2 pm ET	Spotlight

Show All Q

#### What's New

**New HFI OnDemand Course: Eliminating Common Errors in Workout Profiler** Jul 23, 2015  
This course outlines some of the more common mistakes made when entering a case into Workout Profiler and what you can do to prevent those mistakes.

**MyCommunityMortgage® Introduction Tutorial** Jun 09, 2015  
View this course to see how MyCommunityMortgage offers underwriting flexibilities and features to help lenders serve low- to moderate-income home buyers.

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#### Focus Area Training

Loan Quality and Post-Purchase Review Resources  
Mortgage Fraud Prevention









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# The Collateral Underwriter Page



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## Collateral Underwriter

Collateral Underwriter™ (CU™) provides an automated risk assessment of an appraisal report.

Update My Account

- Register to become an approved user
- Manage my applications and users (admins)
- Update my password or profile (users)

Clear Selection

LAUNCH APP

Need Help Logging In?

Note: If your account is locked or deactivated, contact your Technology Manager administrator.

Get Help With Your User ID or Password

Related Links

Appraisers

Related Applications

- Uniform Collateral Data Portal (UCDP)
- Desktop Underwriter
- EarlyCheck

Release Notes

CU V. 3.0 Release Notes | Sept. 26, 2015 **new**

CU V. 2.1 Release Notes | April 18, 2015

About Collateral Underwriter

Getting Started

Collateral Underwriter Fact Sheet

CU Checkpoint: Implementation Tips and Milestone Targets

Registration

CU User Interface Registration Guide

CU Non-Seller Implementation Guide

Technology Manager: Registration & Account Management

OnDemand eLearning Courses

Access the online courses below at your convenience, 24/7.

Introduction to Collateral Underwriter's Features and Benefits

Understanding CU's Risk Score, Flags, and Messages

CU User Interface Basic User Training (includes a demo and basic use cases)

CU User Interface Advanced User Training (includes a demo and advanced use cases)

CU Implementation Readiness: Tips on Implementing CU

Upcoming Webinars

Title	Date & Time	Status
Ask the Expert Sessions (UCDP Release and Score/Message)	See link for dates	Open
Collateral Underwriter User Interface Basic Training <b>new</b>	Aug. 12 at 2 pm ET	Open
Collateral Underwriter User Interface Advanced Training <b>new</b>	Aug. 26 at 2 pm ET	Open
Collateral Underwriter User Interface Basic Training <b>new</b>	Sept. 16 at 2 pm ET	Open
Collateral Underwriter User Interface Advanced Training <b>new</b>	Sept. 30 at 2 pm ET	Open

What's New

Collateral Underwriter (CU) Version 3.0 Release Notes **new** Aug 04, 2015

CU will be updated the weekend of Sept. 26, 2015, to make appraisal data and CU findings (CU risk score, flags, and messages) available in CU within 10 minutes of the submission of an appraisal to Fannie Mae in UCDP.

Lender Letter 2015-03 Mar 31, 2015

This Lender Letter discusses Fannie Mae's post-purchase loan file review process and the shift in focus to increasing lender certainty through defect prevention, remedies, and alternative to repurchase. Also, the National Underwriting Center has been renamed as the Loan Quality Center.

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CU Availability

Every day, 24 hours a day, except the third Sunday each month from 12 midnight to 3 a.m. ET for monthly maintenance.

Frequently Asked Questions

FAQs | Collateral Underwriter

CU In the News





Jan. 13, 2015: Collateral Underwriter Improves Efficiencies, Manages Risk

Bulletins


Shipping and Delivery Bulletin 15-01 | Feb. 19, 2015

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## Mortgage Fraud Prevention Page


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### Mortgage Fraud Prevention

Fannie Mae is committed to preventing mortgage fraud whether perpetrated by a borrower, a lender, or another person or institution. We offer a variety of resources to help you detect and prevent mortgage fraud.

If you have any suggestions or questions, please contact the [Mortgage Fraud Program](#) or your Customer Account Manager.

**Report Mortgage Fraud**  
If you have information concerning mortgage fraud

Phone: 1-800-732-6643  
E-mail: [Report the information](#)

Remember: E-mail is not a secure communication method; do not send Social Security numbers or financial account information via e-mail.

**External Resources**

Federal Housing Finance Agency  
Office of the Inspector General (FHFA-OIG)

Federal Bureau of Investigation (FBI)

Financial Crimes Enforcement Network (FinCEN)

US Department of Justice

Financial Fraud Enforcement Task Force

MBA Fights Mortgage Fraud

**Recent News**

**Common Mortgage Fraud Red Flags** Jan 06, 2015  
Mortgage fraud red flags are inconsistencies in the information presented in an application or a loan file that would cause someone to take a second look to eliminate mistakes or identify misrepresentations. Here are six areas where mortgage professionals should stay alert for red flags.

**Unauthorized Rental Fraud Trends, August 2014** Aug 14, 2014  
News about unauthorized rental fraud trends.

**Mortgage Fraud is No Game - Usually** Dec 03, 2013  
Fraud Team's Board Game Is Effective in Training Lenders

**Investment Club Scheme Taps Into REO Market, August 2011** Aug 11, 2011  
News about Investment Club schemes involving the REO Market.

**Using Credit Profile Numbers and Seasoned Tradelines, June 2011** Jun 14, 2011  
News about fraud tactics for "credit cleaning" using credit profile numbers and seasoned tradelines.

**Affinity Mortgage Frauds Continue to Thrive, April 2011** May 10, 2011  
New about recent investigations that have identified affinity fraud as an enduring stronghold in fraud schemes.

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**Red Flags and Helpful Tools**

Mortgage Fraud Common Red Flags

Fraud Schemes and their Characteristics

DU Potential Red Flag Messages Matrix

Mortgage Fraud Prevention for Consumers

**Statistics**

Mortgage Fraud Statistics, July 2015

Mortgage Fraud Statistics, June 2015

Mortgage Fraud Statistics, May 2015

Mortgage Fraud Statistics, April 2015

Mortgage Fraud Statistics, March 2015

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**Anti-Fraud Partnership Training Series**

Affinity Fraud Tutorial

Basics of Mortgage Fraud Tutorial

Foreclosure Rescue Fraud Tutorial

Identifying Sovereign Citizen Mortgage Fraud Tutorial

Investment Club & Ponzi Schemes Fraud Tutorial

Multifamily Mortgage Fraud Tutorial (Part 1)

Multifamily Mortgage Fraud Tutorial (Part 2)

Property Flipping Schemes Fraud Tutorial

REO Fraud Training Tutorial

Reverse Mortgage Fraud Tutorial

Short Sale Fraud Tutorial

Silent Second Loan Fraud Tutorial

Straw Buyers Tutorial

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<https://www.fanniemae.com/singlefamily/mortgage-fraud-prevention>

# The Loan Quality Page (aka the “Certainty” Page)

## Access to Loan Quality and QC Resources



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### Loan Quality

Fannie Mae expects our lenders to have strong loan quality practices throughout the mortgage loan life cycle. We offer a variety of resources and training to help you build effective strategies to manage risk through a focus on loan quality.

#### Related Links

- Appraiser Quality Monitoring (AQM)
- Post-purchase Adjustments
- Mortgage Fraud Prevention

#### Applications & Tools

- Quality Assurance System
- Collateral Underwriter
- Desktop Underwriter
- EarlyCheck
- Loan Delivery
- Message Manager
- Uniform Collateral Data Portal (UCDP)

#### QC Self-Assessment

**QC Self-Assessment Worksheet**  
Provides help to executives and managers with QC responsibilities to analyze the state of your quality control program. This document is a fillable PDF for Acrobat Reader 8 or higher; save to your computer to fill in, save changes, and print.

#### Process Flows and Checklists

- Post-purchase Process Readiness Checklist
- [Discretionary Post-purchase Review Process Details](#)
- Post-purchase Review Data Validation Process Steps
- How to Submit Data Validation Center (DVC) Documentation
- Mortgage Origination Risk Assessment (MORA) Review Process
- [Form 1032, Post-Closing Loan File Document Checklist](#)

#### Representations and Warranties

**Representations and Warranties Framework Summary**  
See how Fannie Mae is partnering with lenders to increase certainty through a shared commitment to data quality and reducing repurchase risk.

#### Other Key Resources

- Loan Defects**
  - Loan Defect Categories
  - Loan Defect Categories Spreadsheet
  - How to Calculate a Defect Rate - Tutorial
- Quality Control**
  - IRS Form 4506-T Tips for Underwriting and Quality Control
  - QC Governance: Best Practice Samples for File Reviews and QC Vendor Management
  - Quality Control Requirements Tutorial
- Post-purchase**
  - HOEPA Worksheet
  - Manage Your Post-purchase Risk
  - Post-purchase Review and Reports Lender Job Aid
  - Responding to Post-purchase File Requests and Repurchase Requests
- Technology Application Support**
  - Message Manager Selling Report Release | July 15, 2013
  - DU Potential Red Flag Messages Matrix

#### What's New

- QC Boot Camp 2015 Dates Announced** Apr 03, 2015  
**new**  
Leveraging QC to Lend with Certainty is the theme for QC Boot Camp 2015, with three session options for this popular in-person training for Fannie Mae lenders.
- Lender Letter 2015-03** Mar 31, 2015  
**new**  
This Lender Letter discusses Fannie Mae's post-purchase loan file review process and the shift in focus to increasing lender certainty through defect prevention, remedies, and alternative to repurchase. Also, the National Underwriting Center has been renamed as the Loan Quality Center.

#### Related Lender Announcements

- Lender Letter LL-2014-04: Fannie Mae Quality Control Related to the Home Ownership and Equity Protection Act (HOEPA)
- Lender Letter LL-2013-10: Appraisal Quality, and UCDP Notification
- Announcement SEL-2013-06: Selling Guide Updates Related to Ability to Repay and Qualified Mortgages





#### Help & Training


- Data Validation Review Process Tutorial
- National Underwriting Center's File Transfer Tutorial
- Quality Control Requirements Tutorial
- QC Boot Camp 2015: Leveraging QC to Lend with Certainty **new**

#### Upcoming Webinars

Course Title	Date & Time
Effective Quality Control: A Discussion on Prefunding QC <b>new</b>	Apr. 7 at 3 pm ET
Effective Quality Control: A Discussion on QC Staffing and Outsourcing	Apr. 8 at 2 pm ET
Data Validation Center (DVC) Top Ten Most Frequent Data Change Trends <b>new</b>	Apr. 8 at 2 pm ET
Effective Quality Control: Discussing Top Identified Loan Defects - 3rd Edition <b>new</b>	Apr. 14 at 3 pm ET


<https://www.fanniemae.com/singlefamily/loan-quality>

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## Appraiser Quality Monitoring (AQM)

Access the Appraiser Quality Monitoring (AQM) list, accessible to approved Fannie Mae sellers and servicers, which lists appraisers whose appraisals are subject to 100% review or whose appraisals are no longer accepted by Fannie Mae.

### Related Links

- National Registry of State Certified and Licensed Appraisers
- Loan Quality Appraisers

### Related Applications

Contact your Technology Manager administrator for access to the list.

**Technology Manager**

### Related Lender Announcement

Lender Letter LL-2013-10: Appraisal Quality, and UCDP Notification

### Access AQM List

Appraiser Quality Monitoring List **updated**

How to Access the Appraiser Quality Monitoring List

### Frequently Asked Questions

FAQs | Appraiser Quality Monitoring

### What's New

**September 2015 AQM List Posted new** Sep 25, 2015

The September 2015 AQM list has been posted with CHANGES since the previous list (August 2015).

**Lender Letter 2015-02** Feb 04, 2015

This Lender Letter provides clarifications and additional information on Fannie Mae's valuation-related tools and appraisal policies, including Collateral Underwriter, Appraiser Quality Monitoring, and updates to the Property Eligibility and Appraisal Requirements section of the Selling Guide.

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# The AQM Page

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<https://www.fanniemae.com/singlefamily/appraiser-quality-monitoring>

# The Appraisers Page

## Appraisers



Fannie Mae's lender partners rely on appraisers to provide them with thorough, accurate, and objective appraisal reports that result in reliable opinions of market value so they can make prudent underwriting decisions. The appraisal is used to judge the property's acceptability for the mortgage loan requested in view of its value and marketability.

[Sign Up for Email Updates](#)

### Related Links

[Appraiser Quality Monitoring \(AQM\)](#)  
**updated**

### Related Applications

[Collateral Underwriter](#)

[Uniform Collateral Data Portal \(UCDP\)](#)

### Appraiser Resources

[Appraiser Independence Requirements \(AIR\)](#)

### Frequently Asked Questions (FAQs)

[FAQs | Appraisal and Property Related Frequently Asked Questions](#)

[FAQs | Uniform Appraisal Dataset \(UAD\)](#)

[FAQs | Appraiser Independence Requirements](#)

### Appraiser Forms

Form	Title
Form 1004	Uniform Residential Appraisal Report
Form 1004C	Manufactured Home Appraisal Report
Form 1004D	Appraisal Update and/or Completion Report
Form 1004MC	Market Conditions Addendum to the Appraisal Report
Form 1007	Single-Family Comparable Rent Schedule
Form 1025	Small Residential Income Property Appraisal Report
Form 1073	Individual Condominium Unit Appraisal Report
Form 2000	One-Unit Residential Appraisal Field Review Report
Form 2000A	Two- to Four-Unit Residential Appraisal Field Review Report
Form 2090	Individual Cooperative Interest Appraisal Report

### What's New

**Lender Letter 2015-02** Feb 04, 2015  
This Lender Letter provides clarifications and additional information on Fannie Mae's valuation-related tools and appraisal policies, including Collateral Underwriter, Appraiser Quality Monitoring, and updates to the Property Eligibility and Appraisal Requirements section of the Selling Guide.

**Adjustments to Comparable Sales Policy** Dec 16, 2014  
**Update**  
Fannie Mae has eliminated the 15% net and 25% gross adjustment guidelines and provided clarification with respect to expectations for the appraiser to analyze the market for competitive properties and provide appropriate market-based adjustments without regard to limits on the size of the adjustments.

[Show All](#)

### Guide Resources

Access the Selling Guide via the link below or AllRegs.com. See Chapter B4-1 for Appraisal Requirements.

#### Access Guide

[Selling Guide](#) **updated**  
[AllRegs.com](#)

#### Access Guide Forms

[Single-Family Selling & Servicing Guide Forms](#)

### UAD Overview

**Uniform Appraisal Dataset (UAD)**  
The Uniform Appraisal Dataset (UAD) was jointly established by Fannie Mae and Freddie Mac to provide common requirements for appraisal data.

### Help & Training

[Analyzing Residential Appraisals Tutorial](#)

[Appraising Rural Properties Tutorial](#)

[Market Conditions Addendum Form Tutorial](#)



<https://www.fanniemae.com/singlefamily/appraisers>

# Reporting Samples

# **Sample Set A**

## **Senior Management Suite**

## Executive Summary – May 20XX Originations

Report Date: July 15, 20XX

**Post-Closing** - QC audited 90 closed loans from the May 20XX origination period. These audits were from both a Random sample that is representative of our total originations and a Discretionary sample targeted at higher risk areas.

**Random Sample** - Our Post-Closing Eligibility and Total Defect Rates continue to exceed targets established by Executive Management. The May 20XX Eligibility Defect Rate closed at 10% compared to Target of 3%. The company Moderate Defect Rate closed at 16% compared to Target of 10%. The Random Sample is a representative sample of our total originations. Based on our 10% Eligibility Defect rate, our projection is that 50 loans in our total closed loan volume are potentially ineligible for investor delivery. Based on our audits, we have already self reported 5 loans to the investors.

**Discretionary Sample** – We conducted audits in three high risk areas in May. Correspondent Lending, 5-10 financed properties and a 100% review of Early Payment Default loans. Defect rates in the Correspondent review are high and forecast an elevated amount of repurchase exposure across the entire sample.

**Prefunding QC** – We audited a total of 100 loans between full file and targeted reviews. Although the sample is not statistically valid, the Full File Prefunding Eligibility Defect Rate closed at 7% and the Targeted Prefunding Eligibility Defect Rate closed at 12% for the month.

Details for each sample are on the following pages. *All defects and defect rates reported in the management summary are Gross (i.e., prior to cure).*

	# Eligibility Defects	# Moderate Defects	Eligibility Defect Rate	Moderate Defect Rate	Closed Loans	Forecast - Total Ineligible Loans Originated this period	# Loans Self Reported
<b>Post Close Random</b>	<b>5</b>	<b>8</b>	<b>10.0%</b>	<b>16.0%</b>	<b>500</b>	<b>50</b>	<b>5</b>
<i>Conventional</i>	3	3	30.0%	30.0%	300		3
<i>FHA</i>	1	2	8.3%	16.7%	125		1
<i>VA</i>	1	2	20.0%	40.0%	50		1
<i>RHS</i>	0	1	0.0%	33.0%	25		0
<b>Post Close Discretionary</b>							
<i>Correspondent Review</i>	2	4	13.3%	26.7%	150	19-20	2
<i>5-10 Financed Properties</i>	2	5	8.0%	20.0%	62	5-6	2
<i>Early Payment Default</i>	0	1	0	10%	N/A	N/A	0
<b>Prefunding Full File</b>	<b>7</b>	<b>14</b>	<b>7.0%</b>	<b>14.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Prefunding Targeted</b>	<b>12</b>	<b>20</b>	<b>12.0%</b>	<b>20.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

## Post-Closing Random Sample Details

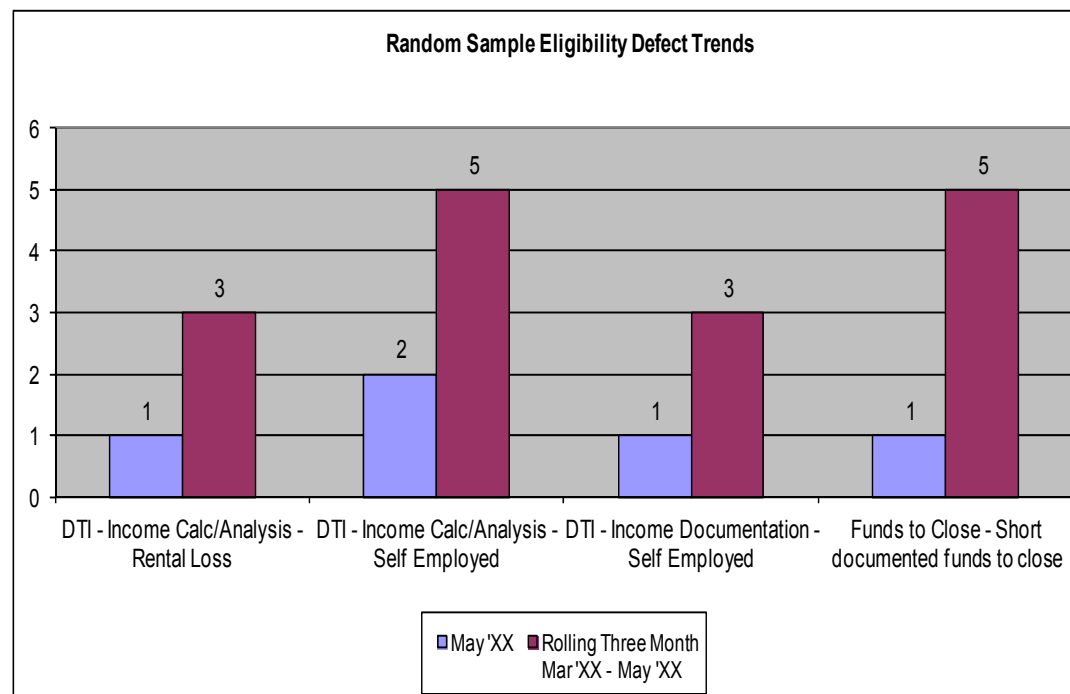
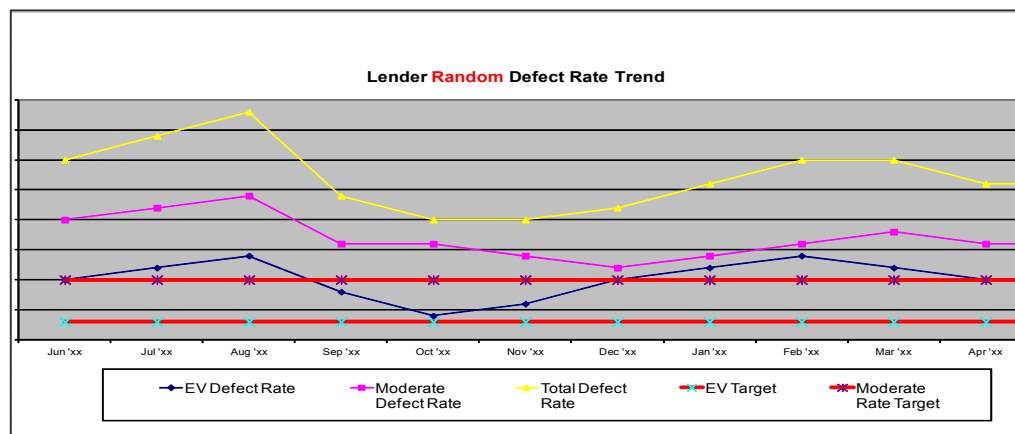
- 50 loans were audited in the Post-Closing Random sample this month.
- Eligibility Defect rate of 10% exceeds management target of 3%.
- Moderate Defect Rate of 16% exceeds management target of 10%.
- Eligibility Defect Rate has been at an elevated level for an extended period of time. Management attention is needed to meet goal.

- Defect categories/subcat/type include:  
DTI

- Income Calculation/Analysis
  - Rental Loss
  - Self-Employed
- Income Documentation
  - Self Employed

### Funds to Close

- Asset Calculation/Analysis
  - Insufficient Funds to Close
- Retail Channel was primary driver for the month and the last three months accounting for 63% of Eligibility Defects.
- Defects from the Correspondent Channel were all tied to Delegated business with no concentration at a seller level.

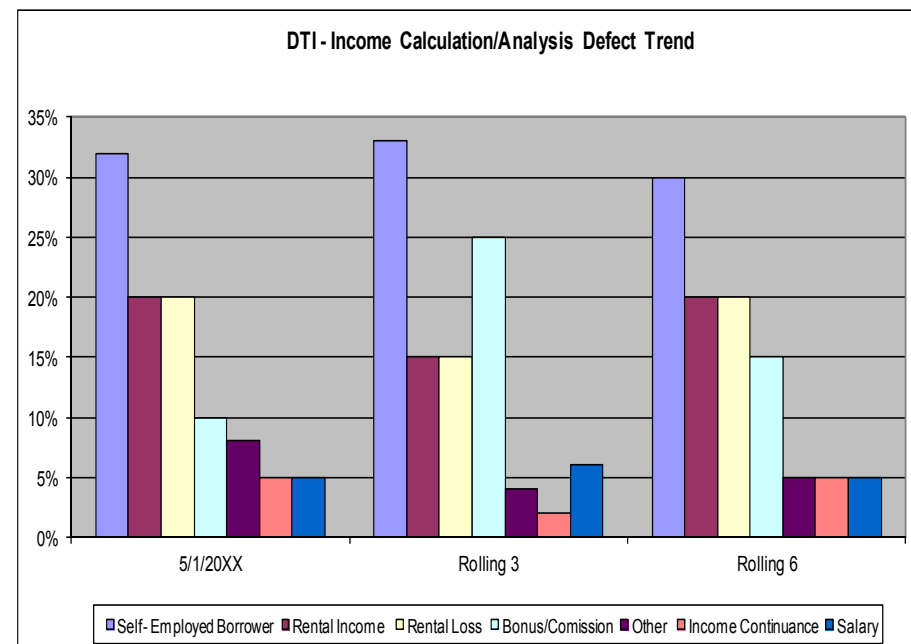
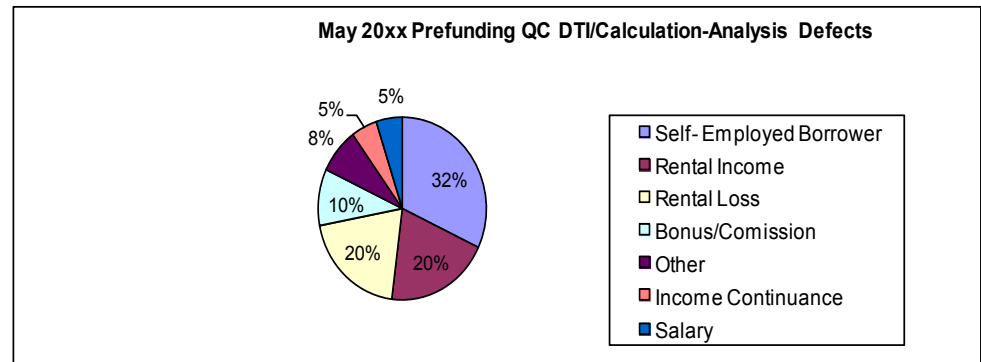


## Post-Closing Discretionary Sample Details

Discretionary Sample: Full File Review; Delegated Correspondent Loans - (Sample reason - High Risk)						
10% Sample						
	# Loans Sampled	Eligibility Defect Rate	Moderate Defect Rate	Total Defect Rate	# Closed Loans	Repurchase Risk
May Closed Loans	15	13.3%	26.7%	40.0%	150	19-20 loans this month
April Closed Loans	13	7.7%	23.1%	30.8%	130	9-10 loans this month
March Closed Loans	12	16.7%	25.0%	41.7%	120	20 loans this month
<b>Top Defect Issues:</b> ~ DTI - Income Calculation/Analysis - Self-Employed Borrower ~ Funds to close - Asset Calculation/Analysis - Sufficient Assets To Close						
<b>Recommendation:</b> Reviews of Delegated transactions over the last 3 months reflect XXX. Recommend additional component reviews in Prefunding QC targeted at complex income types and Purchase transactions to address top defect drivers.						
Discretionary Sample - Targeted Review (Component Review only) ; 5-10 Financed Properties - (Sample reason Post-closing and Investor QC Results)						
25 loans reviewed						
	# Loans Sampled	Eligibility Defect Rate	Moderate Defect Rate	Total Defect Rate	# Closed Loans	Repurchase Risk
May Closed Loans	25	8.0%	20.0%	28.0%	62	4-5 loans this month
April Closed Loans	25	12.0%	12.0%	24.0%	60	7-8 loans this month
March Closed Loans	25	4.0%	20.0%	24.0%	50	2 loans this month
<b>Top Defect Issues:</b> ~ Improper calculation and documentation of reserves (put in FM format) ~ Violations of minimum required FICO						
<b>Recommendation:</b> Defects noted are Eligibility Violations with Investor. Extrapolating defects across total production indicates possible 20% of this product as ineligible for sale to investor. ~ 100% prefunding QC on verifying reserves.						

## Prefunding Sample Details

- Prefunding QC tested 100 loans in May. That was split evenly between Retail and Correspondent Lending.
- Eligibility Defect Rate for May was 7% on Full File reviews and 12% on Targeted reviews.
- Moderate Defect Rate for May was 14% on Full File reviews and 14% for Targeted reviews.
- The Eligibility and Moderate defects were all related to DTI defects. The overwhelming majority of defects are tied to complex income calculations for Self-Employed borrowers or borrowers who utilize rental income for qualifying.
- Based on our defect classification – Calculation and Analysis errors are attributed to an underwriter so action planning should be focused on our underwriting staff.



## Action Plan to Address Top Defect Drivers

Action Plan Tracking for LENDER <NAME> - May 20xx											
Item	Finding	% of Defects in Prior 3 Mos.	Severity	Suspected Root Cause	Meeting Originally Discussed	Planned Actions	Owner	Date to Implement	Expected Improvement Date	Observed Improvement Date	Date Closed
A	<b>DTI - Income Calculation/Analysis-</b> Complex Income sources are driving top Eligibility Findings across Random and Discretionary Samples -	50%	<b>Eligibility</b>	<b>Retail</b> - Staff Not Using Income Calculator <b>Correspondent</b> - Lenders are not properly calculating income	3/1/20xx	<b>Retail</b> - Targeted pre-fund sample to ensure 100% compliance. Non-compliance will result in HR action. <b>Correspondent</b> - Implement Targeted sample in Correspondent on Income at 75% of volume.	<b>Retail</b> - R.Lee <b>Correspondent</b> - B. Fox	<b>Retail</b> - 6/1/xx <b>Corr.</b> - 6/1/xx	<b>Retail</b> - 7/1/xx <b>Corr.</b> - 50% reduction in defects 8/1/xx		
B	<b>Mortgage Eligibility</b> - FICO not eligible for delivery 5-10 Financed Property	12%	<b>Eligibility</b>	Lack of knowledge by staff.	3/1/20xx	Implement System edit to ensure correct FICO.	M. Roberts	8/1/20xx	8/2/20xx		
C	<b>Funds to Close</b> - Insufficient Funds to close documented.	10%	<b>Eligibility</b>	Purchase transactions where evidence of funds to close has been a closing condition	2/1/20xx	Implemented mandatory use of Asset Worksheet in Retail	B. Smith	3/1/20xx	<b>3/31/20xx</b>	<b>Still top defect in May</b>	

## Sample Appendix

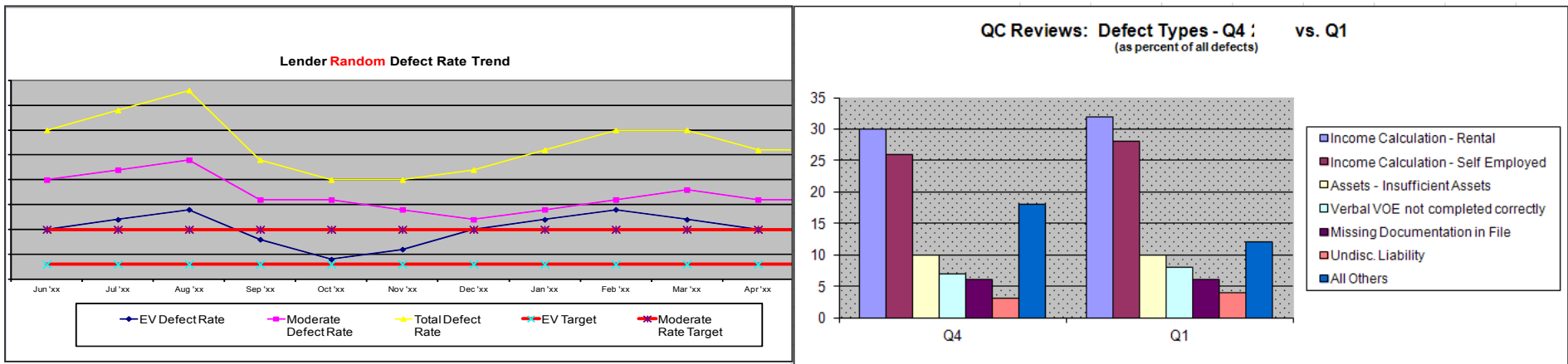
### Loan Level Detail Report

Loan #	Category	SubCat	Defect Name	Underwriter	Branch	Defect Detail
16783	Income/Employment	Income Calculation/Analysis	Self-Employed	Lee	Austin	Underwriter calculation income as 12,475 however they only used a 1 year average when 2 years tax returns were in file. Utilizing a 2 year average reflects income of 8,975 and the revised DTI changes to 61%.
16885	Assets	Asset Calculation/Analysis	Insufficient Funds to close	Booth	Tampa	Borrower needed 33,475 to close however bank statements in the file only documented 29,000 on deposit.

# **Sample Set B**

## **Middle Management Suite**

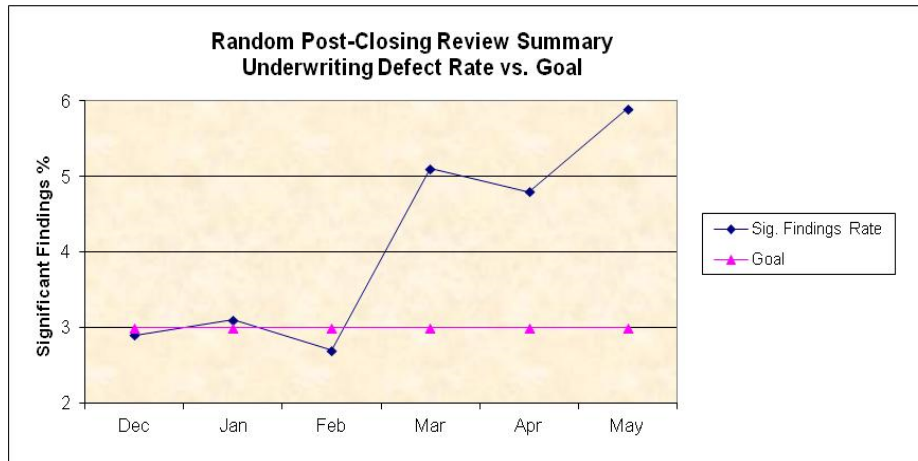
## QC May 20XX - Department Summary Sample



QC Review Defect Summary by Channel													
Channel	March			April			May			Rolling 3 Month Averages			Goal
	Total # Defects	Total # Sig. Defects	% Sig. Defects	Total # Defects	Total # Sig. Defects	% Sig. Defects	Total # Defects	Total # Sig. Defects	% Sig. Defects	Total # Defects	Total # Sig. Defects	% Sig. Defects	
Correspondent	8	1	6.7%	10	1	7.1%	6	2	13.3%	24	4	9.0%	3.0%
Retail	17	5	8.4%	21	6	9.2%	25	9	22.2%	65	20	13.3%	3.0%

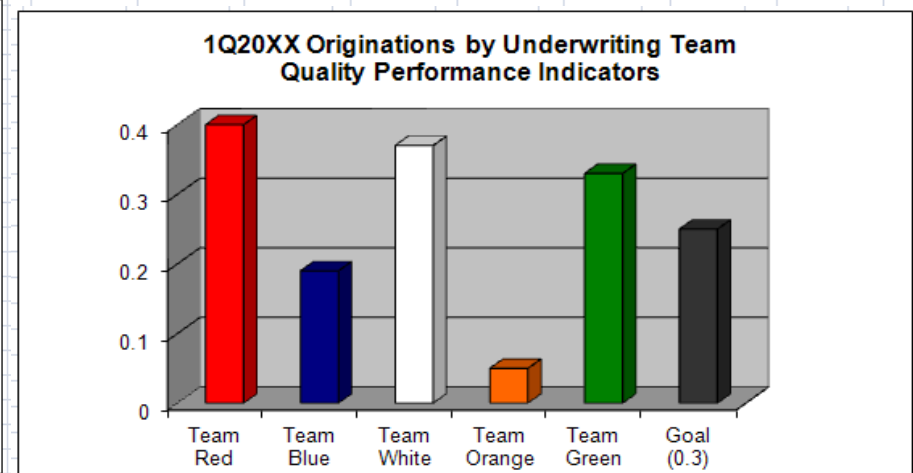
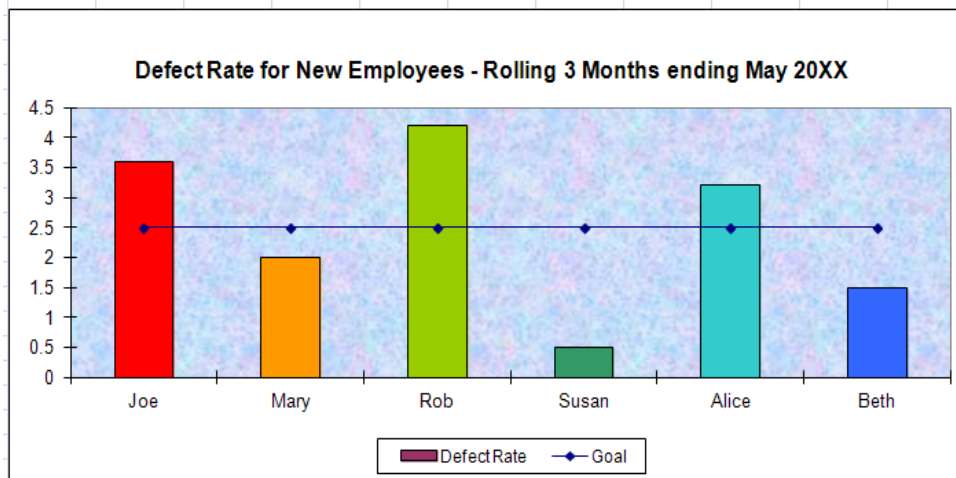
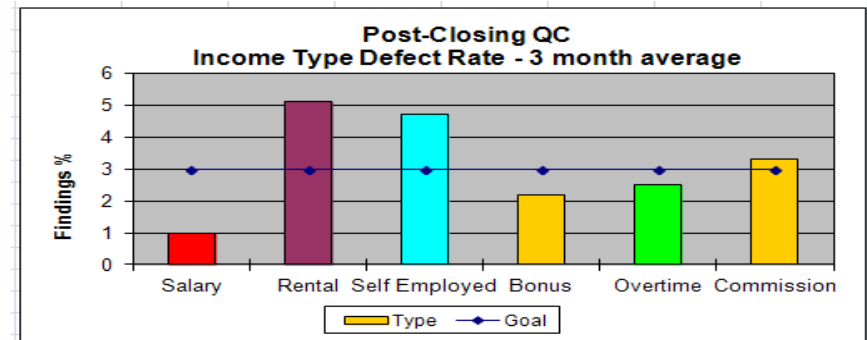
- Preliminary Eligibility Defect rate of 10% for May exceeds management target of 3%.
- Preliminary Moderate Defect rate of 16% for May exceeds management target of 10%.
- Q1 20XX saw increase in Income Calculation Issues – Rental and Self Employed from Q4 20XX. Income Calculator was mandatory as of September 1, 20XX.
- Management is requested to review action plan slide and provide any additional input.

## QC May 20XX - Underwriting Department Details Sample



- The Department's Defect Rate is above goal and trending away from goal.

- Team Blue and Orange are under Goal. Action Plan needed for Team Red, White and Green.
- New employees will require additional training for income and assets and additional Team Lead Reviews.
- Action Planning meeting on June 20XX with training Department is mandatory for all Underwriting Managers and Team Leads.



### Action Plan Tracking for LENDER X - June 20XX Meeting Update

Item	Finding (Defect / Deficiency)	% of Defects in Prior 3 Mos.	Severity	Suspected Responsible Party (Dept. / Team)	Suspected Root Cause	Meeting Originally Discussed	Planned Action(s)
A1	<b>DTI - Income Calculation/Analysis -</b> Rental Income calculations are driving Eligibility Findings across Random and Discretionary Samples.	32%	Eligibility	Underwriting	Retail - Staff Not Using Income Calculator	5/18/20XX	A. UW Team Lead to begin validation of usage.
							B. Training of Operation Staff on requirement of income calculator.
							C. Targeted pre-fund sample to ensure 100% compliance. Non Compliance will result in HR Action.

**Cont.  
below**

### Departmental Action Plans to Address Top Defects

Owner	Comments	Date to Implement	Expected Improvement Date	Observed Improvement Date	Date Closed
National UW Manager - R. Lee	UW Manager to review sample of all UW's files to confirm usage of Income Calculator and data integrity.	5/19/20XX			
Training Department - S. Teach	Update current Training Material into income segments and begin training based on 1. Rental Income, 2. Self Employed Income, 3. Bonus and Overtime.	6/4/20XX			
QC - B. Eyes	After UW team Lead's and training has been provided begin prefunding selection for component only review of income to validate usage and data integrity. UW that are non compliant will be forwarded to HR for verbal warning and /or written warning.	6/15/20XX			

### Action Plan Tracking for LENDER X - June 20XX Meeting Update

Item	Finding (Defect / Deficiency)	% of Defects in Prior 3 Mos.	Severity	Suspected Responsible Party (Dept. / Team)	Suspected Root Cause	Meeting Originally Discussed	Planned Action(s)
A1	DTI - Income Calculation/Analysis - Rental Income calculations are driving Eligibility Findings across Random and Discretionary Samples.	Cont'd	Eligibility	Lender/Pre Purchase Team	Correspondent - Lenders are not properly calculating income.	5/18/20XX	A. Pre Purchase team to review income calculations on Lenders with highest defect rates.
							B. Town Hall Meetings with Lender Underwriting Staff discussing top Defects with emphasis on Income Calculation.
							C. Targeted Pre Purchase audit for income component review.

**Cont.  
below**

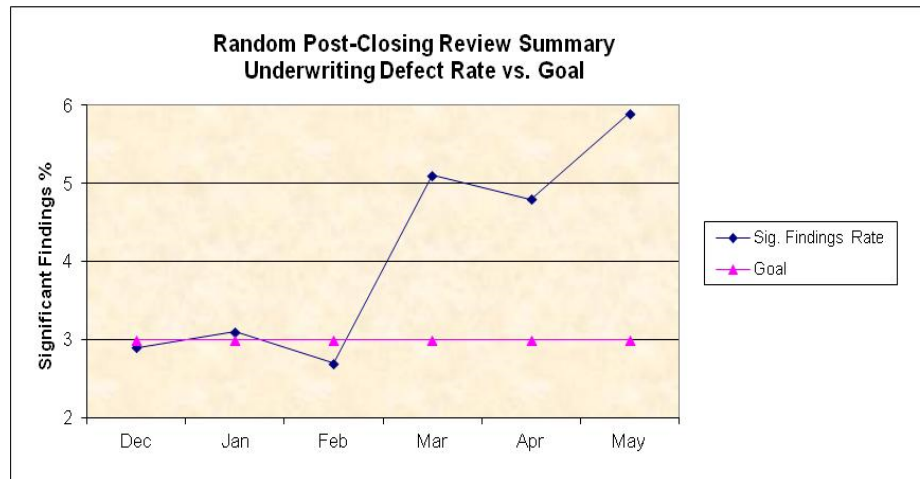
### Departmental Action Plans to Address Top Defects (cont.)

Owner	Comments	Date to Implement	Expected Improvement Date	Observed Improvement Date	Date Closed
Pre Purchase Team D. Fox	1. Review of last 6 months QC and Pre Purchase reviews to identify lenders with income calculation errors. 2. Select lenders with highest defect loans with DTI's that are 35% or higher for review.	5/19/20XX			
Account Team and Training- F. Sales	1. Training team to update current Training Material into income segments and begin training based on A. Rental Income, B. Self Employed Income, C. Bonus and Overtime. 2. Town Halls to be set up with all Lenders discussion top defects with emphasis on Income Calculations.	6/5/20XX			
QC - B. Eyes	After Pre Purchase reviews and training has been provided begin prefunding selection for component only review of income to validate usage and data integrity. Lenders with consistent issues will be forward to TPO Department for Review.	6/15/20XX			

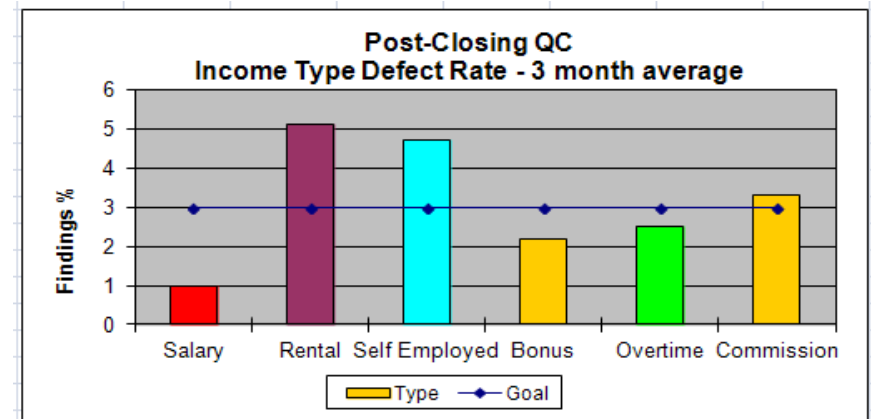
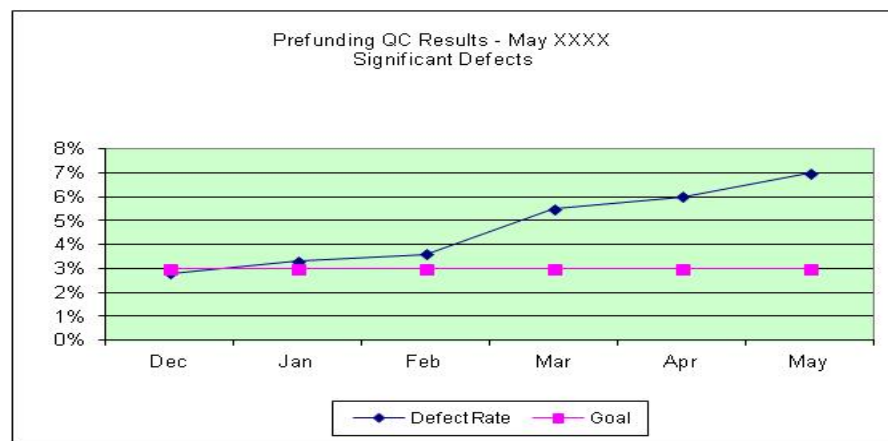
# **Sample Set C**

## **Front Line Suite**

## QC May 20XX Individual Summary Sample Details



- The Department's Defect Rate is above goal and trending away from goal. Do your part to move this the right way!
- Income Calculation – A Rental Income calculator is being developed. You will receive invitation to attend a session to solicit input.
- Remember, all loans with Rental Income must have second signature for roughly the next 90 days (i.e., to Aug. 31, 20xx) as per our discussion on these transactions and findings.
- A Self-Employed Income seminar will be held Aug. 14, 20XX from 1-5 pm. Attendance is mandatory.
- Misrep and Fraud rates are higher than norm in the Belton marketing area. Be aware!



## QC May 20XX Individual Summary Sample Details

Loan Number	Borrower	Closing Date	Underwriter	Category	Sub Category	Sub Category Details	Findings	Final Defect Rating
123456	Smith	5/15/20xx	Rob	Income	Calculation	Rental Income/Loss	The borrower's owned rental property. The underwriter included a rental loss of \$382, in the debt-to-income (DTI) ratio calculation. Based on the documentation provided, QC calculated the rental loss to be \$1,582 resulting in a revised DTI ratio 54%, which rendered the loan ineligible	Significant
123789	Jones	5/5/20xx	Rob	Income	Calculation	Rental Income/Loss	The subject loan was secured by an investment property. The underwriter included rental income of \$1,472.46 per month in the debt-to-income (DTI) ratio calculation. Based on the documentation provided, QC calculated the rental income to be \$0 resulting in a revised DTI ratio 62.7% which rendered the loan ineligible	Significant
234690	Orange	5/22/20xx	Rob	Assets	Calculation	Undocumented large deposit	The asset documentation provided for our review from The Bank reflected a large deposit for which the source was not explained and/or documented. The failure to document the large deposit was from an acceptable source resulted in insufficient assets for closing and/or reserves.	Significant
123457	Blue	5/28/20xx	Rob	Assets	Asset Documentation	Missing - gift	A gift was disclosed as a source of funds for closing and/or reserves. The documentation provided for our review did not include a signed gift letter for the \$90,00 gift and documentation showing these funds were transferred to the borrower's account. As a result, the gift was not properly documented. Excluding these assets resulted in insufficient funds for closing and/or reserves.	Significant
196734	Hail	5/19/20xx	Rob	Income	Calculation	Rental Income/Loss	The borrower's owned rental property. The underwriter included a rental loss of \$182, in the debt-to-income (DTI) ratio calculation. Based on the documentation provided, QC calculated the rental loss to be \$580 resulting in a revised DTI ratio 54%, which rendered the loan ineligible	Significant
168790	Red	5/26/20xx	Rob	N/A	N/A	N/A	No Findings	N/A
368901	Snow	5/13/20xx	Rob	N/A	N/A	N/A	No Findings	N/A
278256	Rain	5/8/20xx	Rob	N/A	N/A	N/A	No Findings	N/A

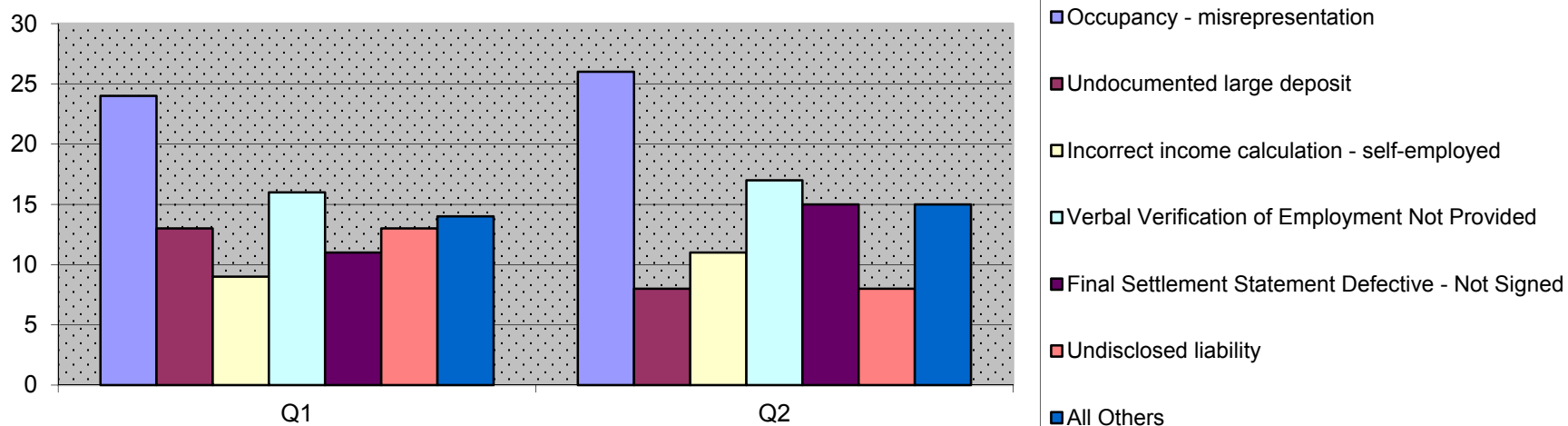
# **Sample Set D**

## **Miscellaneous Samples**

## Loan Review Summary Details

Loan Review Summary			
Date		<b>Reverifications</b>	
Review Type (PFQC, DPCQC, RPCQC)		Refer to Reverification Management Spreadsheet	
Loan No.			
Borrower Name		<b>Observed Defects</b>	
Borrower Address			
Property Address		Defect #1:	
		Category	
Loan Purpose		Type	
Occupancy		Notes	
No. of Borrowers		Severity	
Prop. Type			
LTV/CLTV/HCLTV		Defect #2:	
		Category	
Credit Report Date		Type	
Credit Report Vendor		Notes	
Credit Scores, Borrower		Severity	
Credit Scores, Co-borrower			
		Defect #3:	
Appraisal Report Date		Category	
Appraiser or AMC		Type	
		Notes	
Product		Severity	
Term			
DTI		...	
Reserves (months PITIA)			
Channel			
Branch			
Underwriter			
Processor			
UW Manager			
Loan Officer			
Sales Manager			
Closing Date (actual/expected)			
Funding Date			

**Post-Closing Reviews: Defect Types - Q1 vs. Q2**  
(as percent of all defects)



**Quarterly Defect  
Comparison**

**Prefunding QC**
**Remedy Testing Tracking Report**

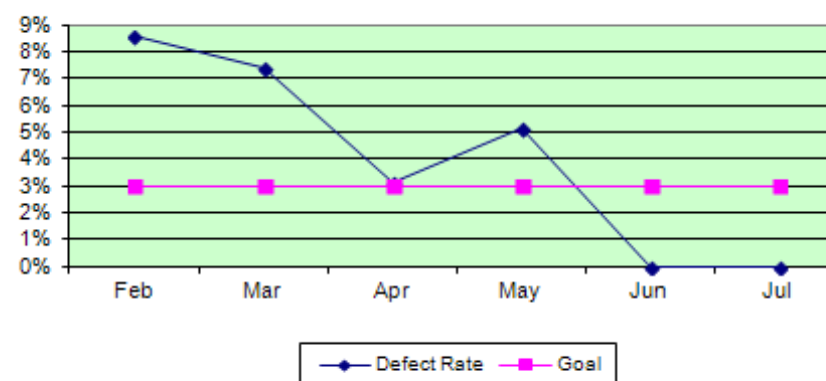
Defect: Not sourcing earnest money deposit

Suspected Root Cause: Policy unclear

Remedy: Revise policy and related procedures

Remedy Date: Jan. 11, 20XX

Month	No. of Loans Sampled	No. of observed defects in this category	Defect Rate	Goal
Feb	35	3	8.6%	3%
Mar	27	2	7.4%	3%
Apr	32	1	3.1%	3%
May	39	2	5.1%	3%
Jun	31	0	0.0%	3%
Jul	24	0	0.0%	3%

 Prefunding QC - Remedy Testing Track Report - Aug. 20XX  
 Re: Action Planning Report of Jan. 20XX


## Remedy Tracking Report

### Discretionary Post-Closing Mortgage Selections - Quarterly Summary

Category: Third-party Service Providers

Sub-category: Title Companies

Defect Rate Goal:  $\leq 3.0\%$

	May			Jun			Jul		
	No. of Loans	No. of Defects	Defect Rate	No. of Loans	No. of Defects	Defect Rate	No. of Loans	No. of Defects	Defect Rate
AAA Title Co.	92	2	2.2%	108	3	2.8%	116	4	3.4%
BBB Title Co.	143	4	2.8%	174	7	4.0%	156	5	3.2%
CCC Title Co.	67	2	3.0%	88	1	1.1%	71	2	2.8%

## Third-Party Service Provider Defect Tracking Report

## Remedy Tracking Report: Training Assessment

### Remedy Tracking Report- July 20XX

#### Remedy Category: Training

Refer to Action Planning Summary Report of July 1

Training Topic	Rental Income Tax Return Analysis
Defect Addressing (Category/Type)	Income/Rental Income Calc.
Remedy	#05- May 20XX
Audience	Middlesex Loan Officers
Proposed Date	17-Jun
Actual Date	17-Jun
Pre-seminar avg. Test Score	68
% Passing	64%
Post-seminar avg. Test Score	82
% Passing	86%
Training Topic	Interpreting PFQC Tool Scores
Defect Addressing (Category/Type)	Fraud/Red Flag Referral
Remedy	#02- Apr 20XX
Audience	Windsor Processors
Proposed Date	23-May
Actual Date	23-Jun
Pre-seminar avg. Test Score	71
% Passing	71%
Post-seminar avg. Test Score	88
% Passing	90%
...	

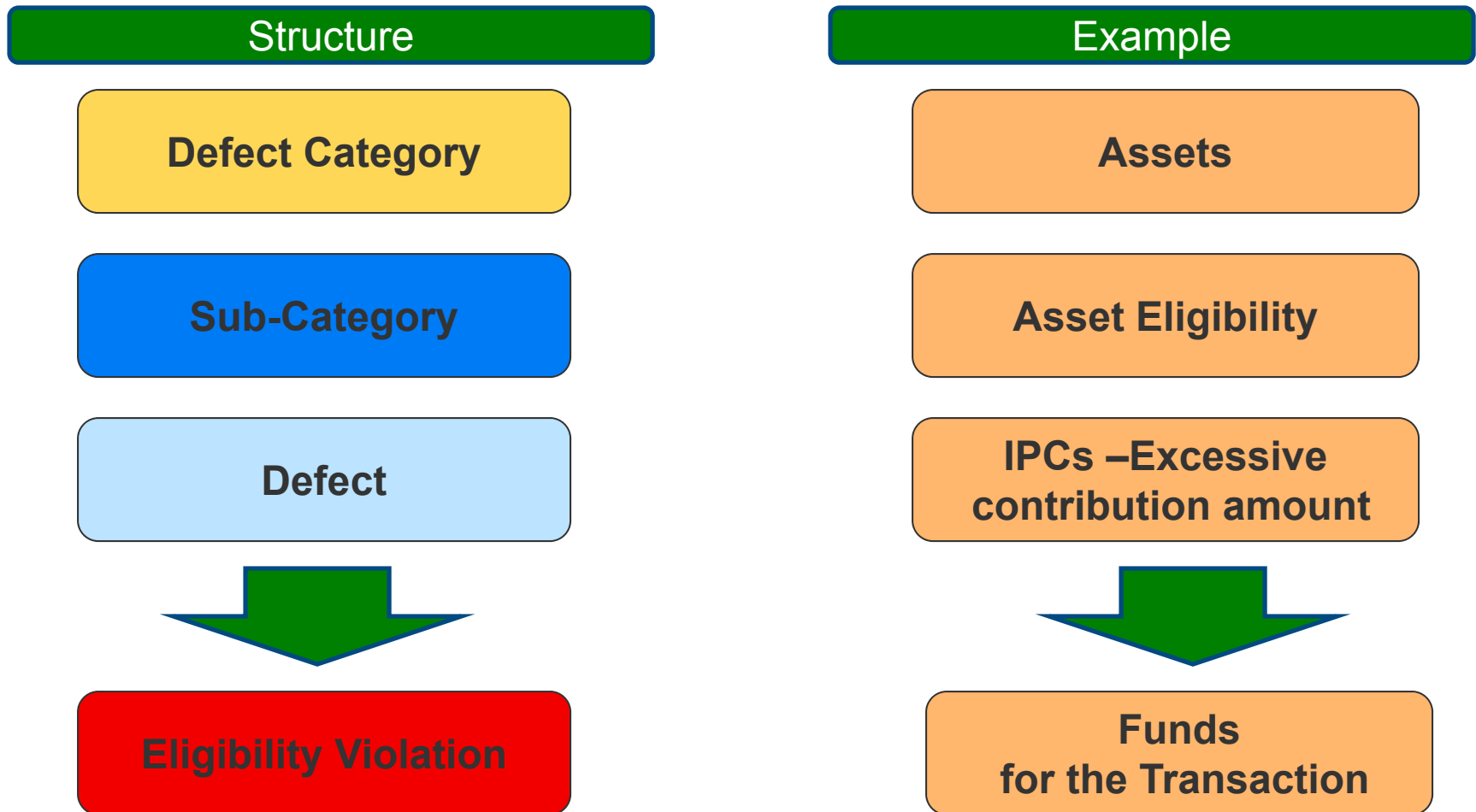
## Testing Summary

QC Reviews					
Monthly Management Summary					
Report Date: Sep. 1, 20XX					
Random Post-Closing QC Reviews					
Production Month: May					
	No. of Loans Originated	No. of Selections	Selection Percentage	Defect Rate	Goal
Retail Originations (10% min.):	876	90	10.3%	1.90%	1.75%
Correspondent Originations (12.5% min.):	453	57	12.6%	2.2%	2.0%
Broker Originations (15% min.):	131	20	15.3%	2.10%	2.25%
Discretionary Post-Closing QC Reviews					
Production Month: May					
	No. of Loans Originated	No. of Selections		Defect Rate	Goal
Retail Originations:	876	47		a%	xx%
Correspondent Originations:	453	26		b%	yy%
Broker Originations:	131	11		c%	zz%
Primary Selection Drivers					
Retail	Middlebury Branch, New L.O.s (less than 6 mos)				
Correspondent	ABC Lending Co. (new to us), YTD scorecard score < 80				
Broker	Owner Occupancy for Tier 3 brokers, Values - CT props.				
Prefunding QC Reviews					
Production Month: July					
	No. of Loans Originated	No. of Selections		Defect Rate	Goal
Retail Originations:	765	35		a%	xx%
Correspondent Originations:	378	32		b%	yy%
Broker Originations:	101	6		c%	zz%
Primary Selection Drivers					
Retail	Remedies: Apr#01, Apr#02, May#01; Groton UW Ctr. Origs.				
Correspondent	Correspondents with < 12 mos experience with us				
Broker	YTD Scorecard < 85				

# Fannie Mae's Defect Classification System

# Defect Categorization

## Example - Fannie Mae's Defect Classification System



## Loan Defect Categories Listing

- This document can be found on our Loan Quality Web Page.
- Note: the categories are subject to updating to provide additional refinement and clarity.

[https://www.fanniemae.com/content/fact\\_sheet/loan-defect-categories.pdf](https://www.fanniemae.com/content/fact_sheet/loan-defect-categories.pdf)

### Loan Defect Categories\*

December 17, 2014

This list shows the loan defects, by categories, identified by Fannie Mae in post-purchase review of our acquisitions. These defects (which may be eligibility violations) are referenced in reporting to lenders on the quality of their deliveries.

\*Non-exclusive list as of December 17, 2014; subject to change.

#### Loan Defects

Category	Subcategory	Defect Name
Assets	Asset Calculation/ Analysis	<ul style="list-style-type: none"> <li>• Insufficient assets to close</li> <li>• Insufficient assets to pay off debt</li> <li>• Insufficient assets – reserves</li> <li>• Insufficient assets for reserves – investment/retirement accounts</li> <li>• Insufficient assets – 30-day charge accounts</li> <li>• Undocumented large deposit</li> </ul>
	Asset Documentation	<ul style="list-style-type: none"> <li>• Asset documentation – aged</li> <li>• Assets – misrepresentation</li> <li>• Illegible asset documentation</li> <li>• Incomplete – assets</li> <li>• Missing – asset</li> <li>• Missing – earnest money</li> <li>• Missing – gift</li> <li>• Missing – liquidation of asset</li> <li>• Missing – sale proceeds</li> <li>• Missing – source of non-U.S. borrower funds</li> </ul>
	Asset Eligibility	<ul style="list-style-type: none"> <li>• Interested party contributions – excessive contribution amount</li> <li>• Interested party contributions – excessive for transaction</li> <li>• Interested party contributions – sales concessions</li> <li>• Minimum borrower investment</li> <li>• Unacceptable source of funds – gift</li> <li>• Unacceptable source of funds – general</li> </ul>
Borrower and Mortgage Eligibility	Borrower Eligibility	<ul style="list-style-type: none"> <li>• Five to ten financed properties</li> <li>• Excessive number of financed properties</li> <li>• Legal entity</li> <li>• Social Security Number – none</li> <li>• Social Security Number – misrepresentation – Social Security Number invalid</li> <li>• Social Security Number – misrepresentation – multiple SSN</li> </ul>

# End of Appendix