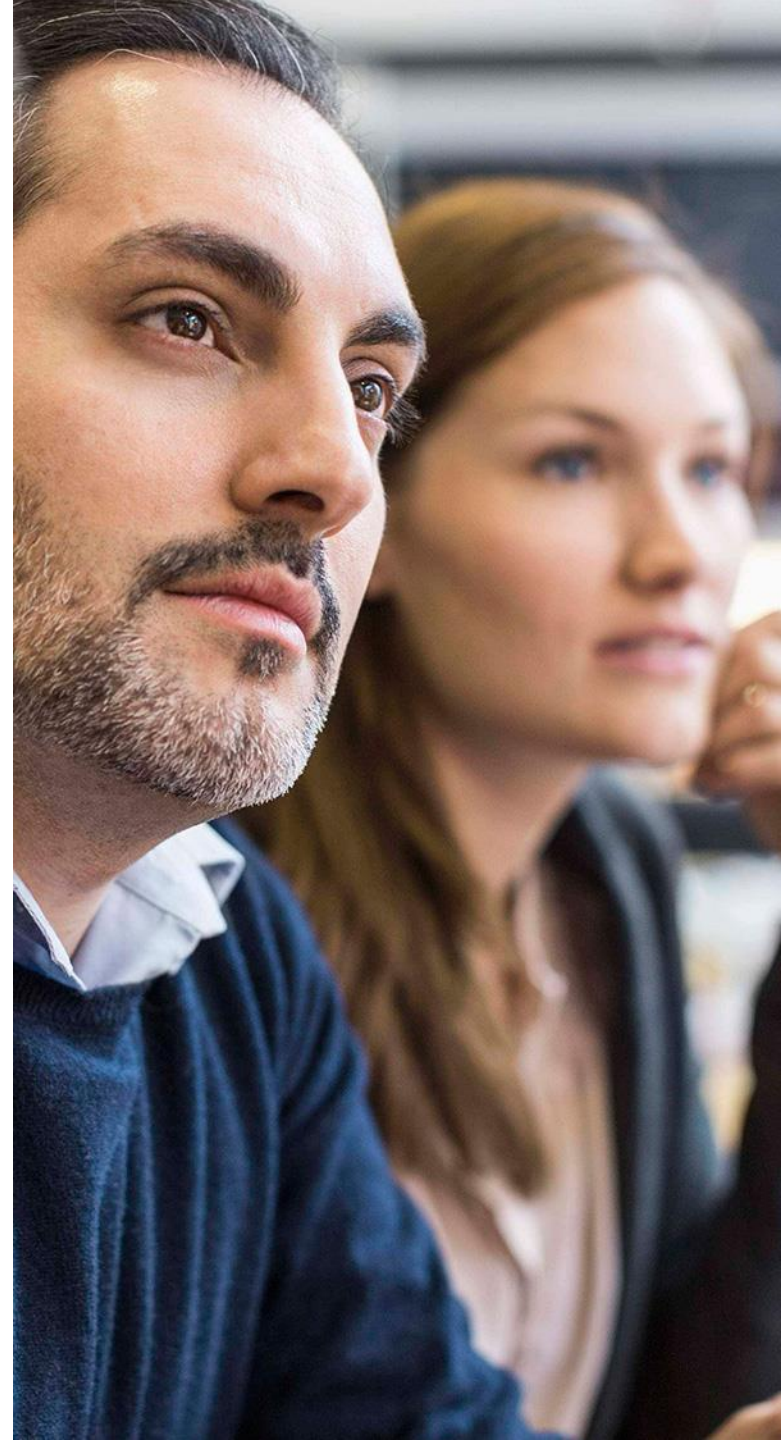# Florida Credit Union Real Estate Network

July 20, 2018

DAY1 CERTAINTY™

Optimizing Day 1 Certainty Implementation

Fannie Mae

— Welcome —

DAY 1 CERTAINTY

Optimizing Day 1 Certainty
Implementation

Brian Cusick
Single Family Business Solutions
Fannie Mae

Brian has over 20 years in the financial services and housing industries. He began his career at Fannie Mae in 2000 and currently manages pilots that test innovative solutions to simplify the mortgage process and provide a superior borrower experience.

An important note about today's discussion

While every effort has been made to ensure the reliability of the session content, Fannie Mae's *Selling* and *Servicing Guides* and their updates, including *Guide* Announcements and Release Notes, are the official statements of Fannie Mae's policies and procedures and control in the event of discrepancies between the information in this seminar and the *Guides*.

What We Are Hearing From Customers

Certainty

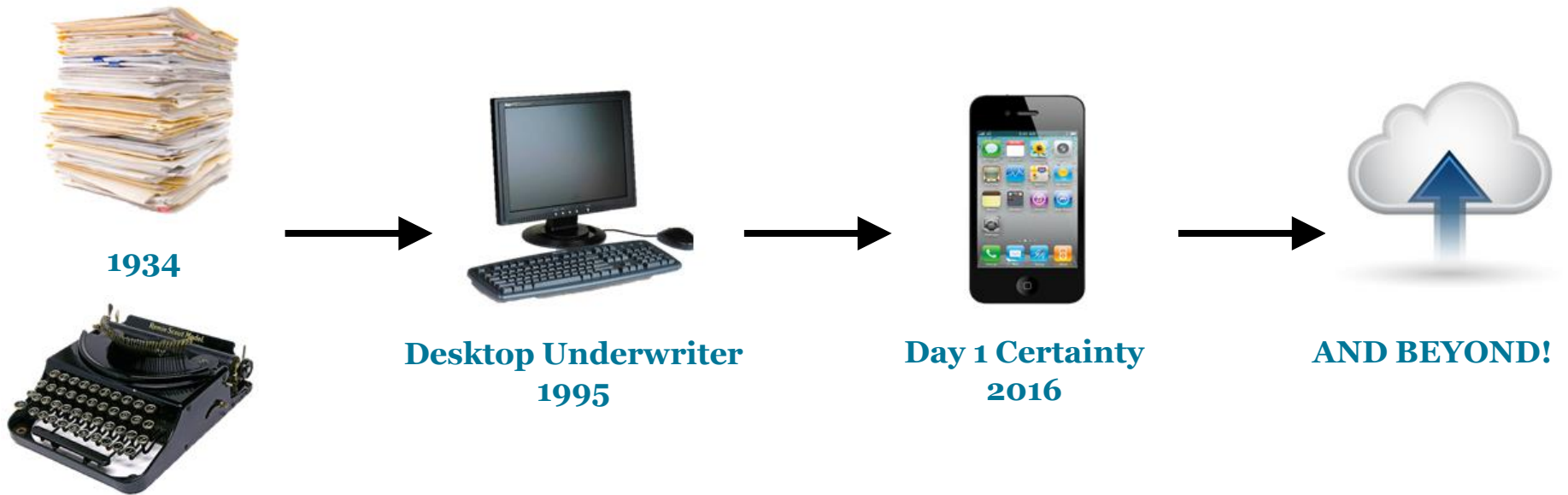**Better Borrower Experience**

Operational Efficiency

Universal goals of our customer:

- Improve their borrowers' experience

- Increase certainty

- Lower costs and increased operational efficiency across all channels

Borrower expectations are driving change to the mortgage process

1934

Desktop Underwriter 1995

Day 1 Certainty 2016

AND BEYOND!

Which is why we are continuously focused on delivering a fully digital mortgage

EarlyCheck™

Single Source Validation

Pricing & Execution – Whole Loan®/MBS®

Desktop Underwriter® & Desktop Originator®

Servicing Execution Tool™

Application Program Interfaces

Servicing Marketplace

Collateral Underwriter®

Loan Delivery

Fannie Mae Connect™

Loan Quality Connect™

Servicing Management Default Underwriter™

Default Management Reporting System

Production · Execution · Servicing · Insights

Mortgage Technology Platform

The **Mortgage Technology Platform** empowers you to:

- Leverage industry leading tools to assess credit and collateral risk

- Understand loan eligibility up front and address data errors prior to funding

- Gain easy access to market pricing

- Service loans easily

- Have transparency into the process from origination through servicing
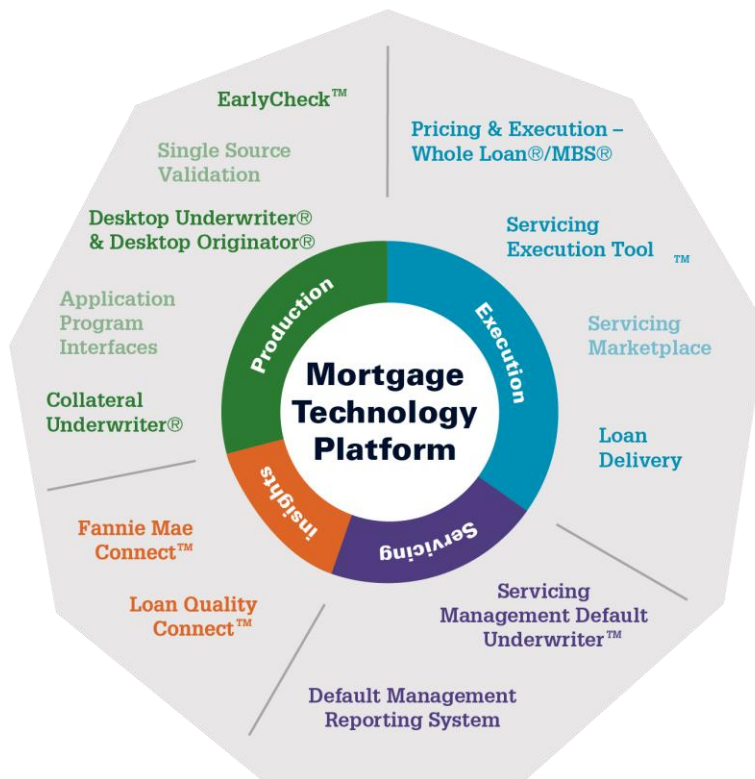
DAY1 CERTAINTY®

Creating a superior borrower experience, driving operational efficiency resulting in reduced origination cycle times and providing freedom from reps & warrants

DU® Validation Service

Freedom from paper-based processes with validation of income, assets, and employment through third-party data vendors

- Exceptional point of sale customer experience
- Reduced cycle time
- Rep & warrant relief on validated components

Property Inspection Waiver

Freedom from appraisal requirements on eligible refi transactions

- Exceptional point of sale customer experience
- Reduced cycle time and cost savings
- Rep & warrant relief on property value, condition, and marketability

Certainty on Appraised Value

Freedom from reps & warrants on appraised value with the power of Collateral Underwriter® (CU®) when the CU risk score is 2.5 or lower

- Appraisal review efficiency
- Rep & warrant relief on appraised value

Day 1 Certainty™ is the foundation for change

Lower Costs

Better Borrower Experience

Operational Efficiency
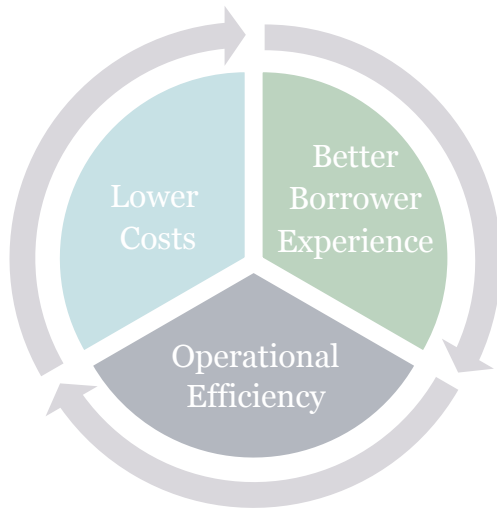
In Q1 2018		
53,000	**3/4**	**$400B**
Loans delivered with one or more validated components through the DU validation service	Lenders using the DU validation service account for ¾ of all deliveries through DU	loan deliveries with one or more of the Day 1 certainty components

" We've seen our adoption rate soar to over 60% in the first few months since launch, and it continues to climb. Customers are raving about how easy the process is. It's a huge risk mitigator for us and, from a cycle time and overall process efficiency perspective, we believe there is opportunity to expect a **300% lift** in productivity for our organization.

Resmac, Inc. "

What are lenders saying about Day 1 Certainty?

[We are] "seeing an increase in customer satisfaction driven primarily by ease of use, less paperwork needs, and accelerated turn times."

"Day 1 Certainty is not an urban legend. This is real and this is a competitive advantage for us. We saw a loan close in eight days, and it was only that long because it was waiting on disclosures."

"Day 1 Certainty has cut the time from loan application to final approval from 50 days to 25."

DAY 1 CERTAINTY™

"This is a win-win, as the customer's experience is improved through reduced documentation and accelerated closing dates, while we receive rep and warrant relief and operational efficiencies."

"Efficient utilization of technology is the highway to lowering origination costs and enhancing customer experience. Fannie Mae's Day 1 Certainty is the vehicle to take [us] down that highway."

"We've reduced capital reserves on Fannie Mae loans by 25%, since less rep and warrant risk ties up less capital."

DU Validation Service

Desktop Underwriter ® (DU®) now gives lenders even more power by providing optional validation of borrower data for income, assets, and employment.

Step One:

Borrower consents to pull electric data and credit report

Step Two:

Lender orders report from vendor(s)

Step Three:

Lender submits casefile to DU

Step Four:

DU validates income, assets and employment

Step Five:

Lender closes loan and delivers to Fannie Mae

Step Six:

Lender gets Day 1 Certainty for the validated income, assets, and/or employment

Lender gets a more efficient post-closing QC process

How Does the DU Validation Service Evaluate Income & Employment?

DU obtains copy of vendor report.

DU calculates income and assesses employment based on information from vendor report.

DU calculated amount ≥ amount provided by lender on the online loan application.

Is the borrower actively employed?

YES!
Income and/or Employment is validated. Vendor report is acceptable documentation.

NO
Calculated income less than reported in DU. Lender can resubmit with calculated amount or revert to the transitional documentation.

If no longer employed, then income will not be validated.

Income is validated by DU on a per-borrower, per-income-type basis.

Employment is validated on a per-borrower, per-employer basis.

Q1 2018 Average cycle time reduction: ~17%

How Does the DU Validation Service Evaluate Assets?

DU obtains copy of vendor report.

DU calculates assets based on information from vendor report.

DU calculated amount ≥ Total Funds to be Verified as messaged in DU.

Also assess deposit transactions for large deposits.

Assets are validated on a loan-level basis.

YES!
Assets are validated. Vendor report is acceptable documentation.

Large deposits are flagged within messages.

NO
Additional documentation is required / traditional documentation process.

Q1 2018 Average cycle time reduction: ~14%

Eligibility for Validation

Report(s) Required	Income / Asset type
Verification of Income / Verification of Employment (VOI / VOE)	Base pay
	Bonus
	Overtime
	Commission < 25%
VOI/VOE + Tax Transcript	Commission 25%+
Tax Transcripts	Social Security
	Retirement (Pension, Annuity)
	Self-employed Income (Sole Proprietor, Sched C)
Asset Verification	Checking, Savings
	CD
	Money Market
	Stock
	Mutual Funds
	Retirement Accounts

Sample: Employment and Income Verification Report

Example: Base Income Validation

1 **Employment and Income Verification Report**

Rate of Pay: $1,000 Biweekly

2 DU validation service calculation:
($1,000 biweekly amount x 26 weeks) / 12 months = $2,166.67

3 **DU 1003**

VALIDATED

John H.

Base Income $2,166.67

4 **DU message:** *Base income for John H of $2166.67 entered on the online loan application has been validated using Verification of Income (VOI) data. An Employment and Income Verification report is acceptable documentation to support this income.*

DU Validation Service Implementation Best Practices

Preparation >>>

- Perform Cost Benefit Analysis for DU validation service components
- Choose vendors' services / products and execute contracts and SLAs for services
- Explore LOS vendor integrations and understand process implications by channel
- Determine how Day 1 Certainty loans will be tracked in LOS
- Develop strategy for Day 1 Certainty launch by business channel and timelines for each task

Pilot >>>

- Develop team to pilot (project manager, Loan Officer (LO), Account Executive (AE), processor, underwriting and QC
- Train pilot team on process and benefits of Day 1 Certainty
- Process map how the Day 1 Certainty components should be viewed and executed by role within your organization
- Advise the pre-funding and post-closing quality control staff (or vendor if outsourced) of the Day 1 Certainty components to streamline reviews
- Develop Day 1 Certainty training for the operations staff

Sales >>>

- Develop a LO/AE script to set expectations with the consumer and drive adoption
- Leverage key selling points with realtors, builders, etc. to support branding efforts
- Assess opportunities to implement sales incentives with LO and/or AE.
- Use role play to reinforce how to effectively present the DU validation service and address borrower questions
- LOs should be trained on how to identify good Day 1 Certainty candidate loans.

Launch & Monitor

- Execute follow up plan for routine check-ins with pilot team
- Establish measures of success
- Identify PMO to track and monitor pilot results
- Develop process for using Fannie Mae Connect reports
- Go live with pilot team and report results to key stakeholders
- Share success stories and testimonials publically & often across all meetings
- Assess timing for broader roll out

Property Inspection Waiver through DU

DU offers to waive the appraisal for certain limited / cash out refinances and purchase transactions.
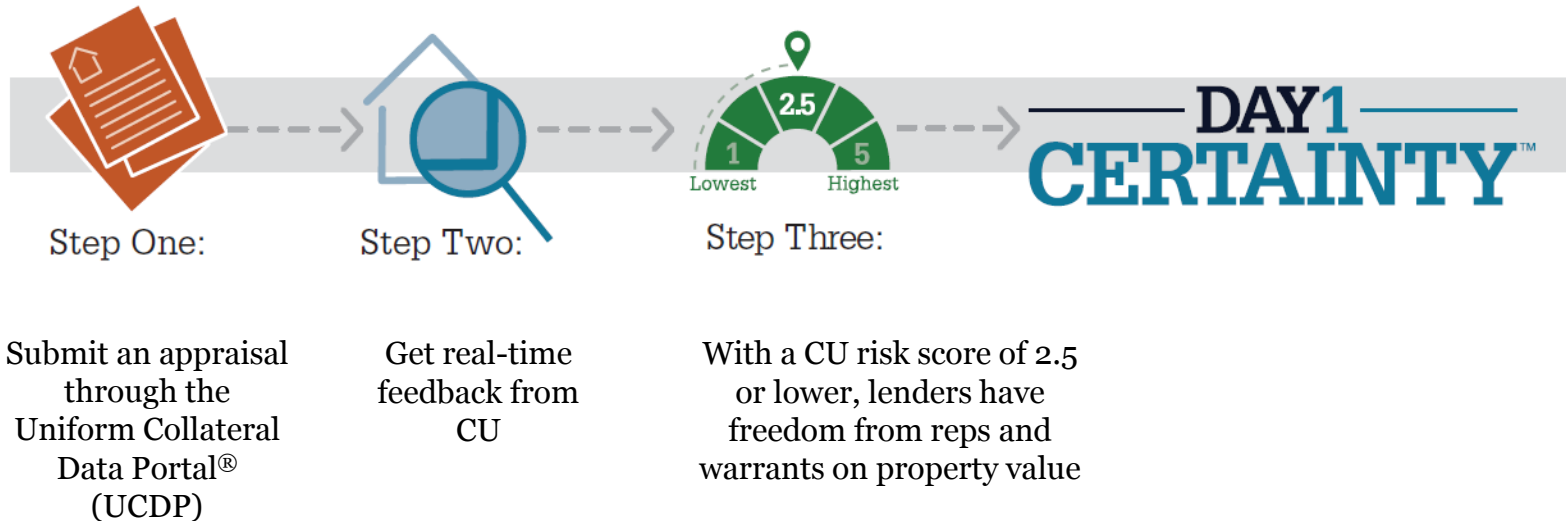

Step One:	Step Two:	Step Three:	Step Four:	Success! DAY1 CERTAINTY
Lender submits casefile to DU	DU issues an offer to waive the appraisal	Lender accepts the appraisal waiver offer	The Lender delivers loan to Fannie Mae with the DU casefile ID and SFC 801	Day 1 Certainty for property value, condition, and marketability
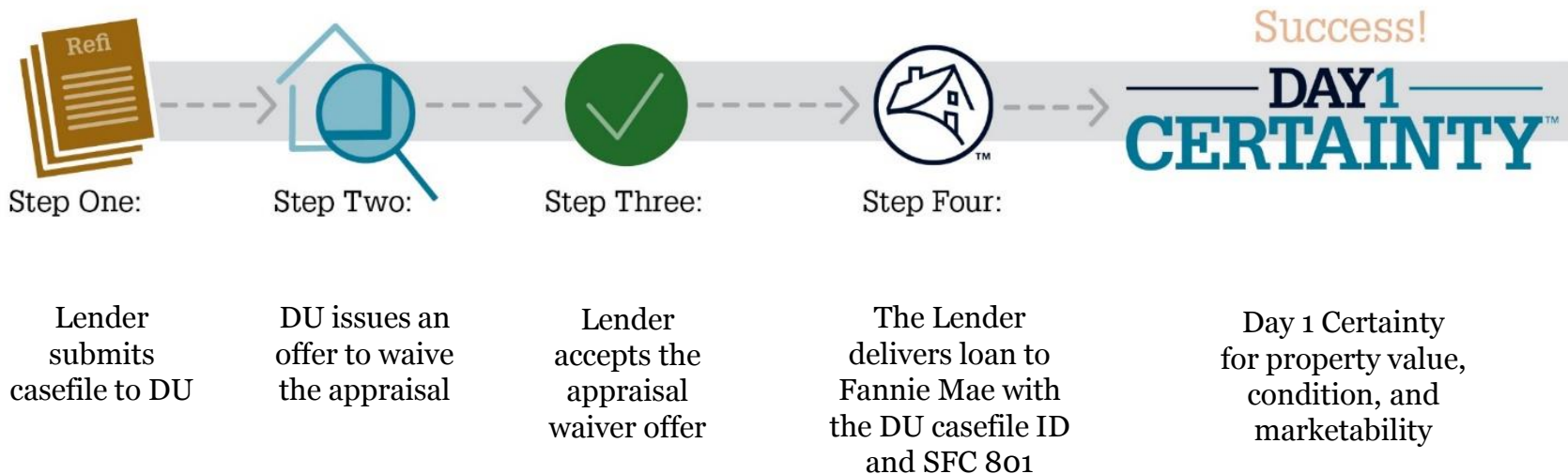
Q1 2018 Average cycle time reduction: ~38%

Powered by CollateralUnderwriter

Certainty on Appraised Value through Collateral Underwriter

Harnessing the power of Collateral Underwriter, Lenders have freedom from representations and warranties related to the property value for eligible appraisals.

Step One:
Submit an appraisal through the Uniform Collateral Data Portal® (UCDP)

Step Two:
Get real-time feedback from CU

Step Three:
With a CU risk score of 2.5 or lower, lenders have freedom from reps and warrants on property value

DAY 1 CERTAINTY™

60 - 65% of appraisals submitted have risk scores <2.5

Powered by
Collateral Underwriter

Welcome to the Future

✓ Implement the DU validation service
  - Income
  - Employment
  - Assets

✓ Exercise offers for Property Inspection Waivers

✓ Leverage Collateral Underwriter to manage appraisal quality
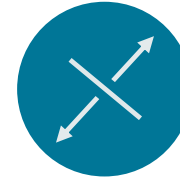
Step 1: Review materials on the DU validation web service page

Step 2: Engage with a DU validation service report provider and your LOS provider

Step 3: If you're looking to use Equifax, complete the Fannie Mae Registration Form. Otherwise…you're good to go!

DAY1 CERTAINTY®

What's coming next...Single Source Validation

- An enhancement to the DU validation service

- Uses bank account data found in an asset report to validate borrower
  - Assets
  - Income &
  - Employment

- Experience with Asset Validation is a key pre-requisite

Day 1 Certainty Resources

www.fanniemae.com/day1certainty

Uniform Closing Document

Reference Materials

Visit/bookmark the UCD page on FannieMae.com:

www.fanniemae.com/singlefamily/uniform-closing-dataset

Learn about the UCD collection solution:
- User Guide / Quick Guides
- UCD Feedback Messages
- UCD Collection Solution FAQs
- Implementation Quick Sheet

Learn about the UCD Data File:
- UCD FAQs
- News and Announcements
- Implementation Guides

OnDemand eLearning Courses:
- UCD Awareness Presentation
- UCD Collection Solution User Training Presentation

QUESTIONS

Application	Support Options
UCD solution	▪ Email UCD@fanniemae.com ▪ Call 800-2FANNIE (800-232-6643) ▪ Contact your Fannie Mae representative
Technology Manager	▪ 800-2FANNIE (800-232-6643) ▪ Email technology_manager_request@fanniemae.com

Affordable Mortgage Options

Products

- **Low Down Payment**
  - HomeReady®
  - 97% LTV
  - Community Seconds™

- **Construction, Renovation, Energy Improvements**
  - HomeStyle Energy®
  - Construction to Permanent
  - MH Advantage

Duty to Serve

- Manufacture Housing
- Affordable Housing Preservation
- Rural Housing

Pilots

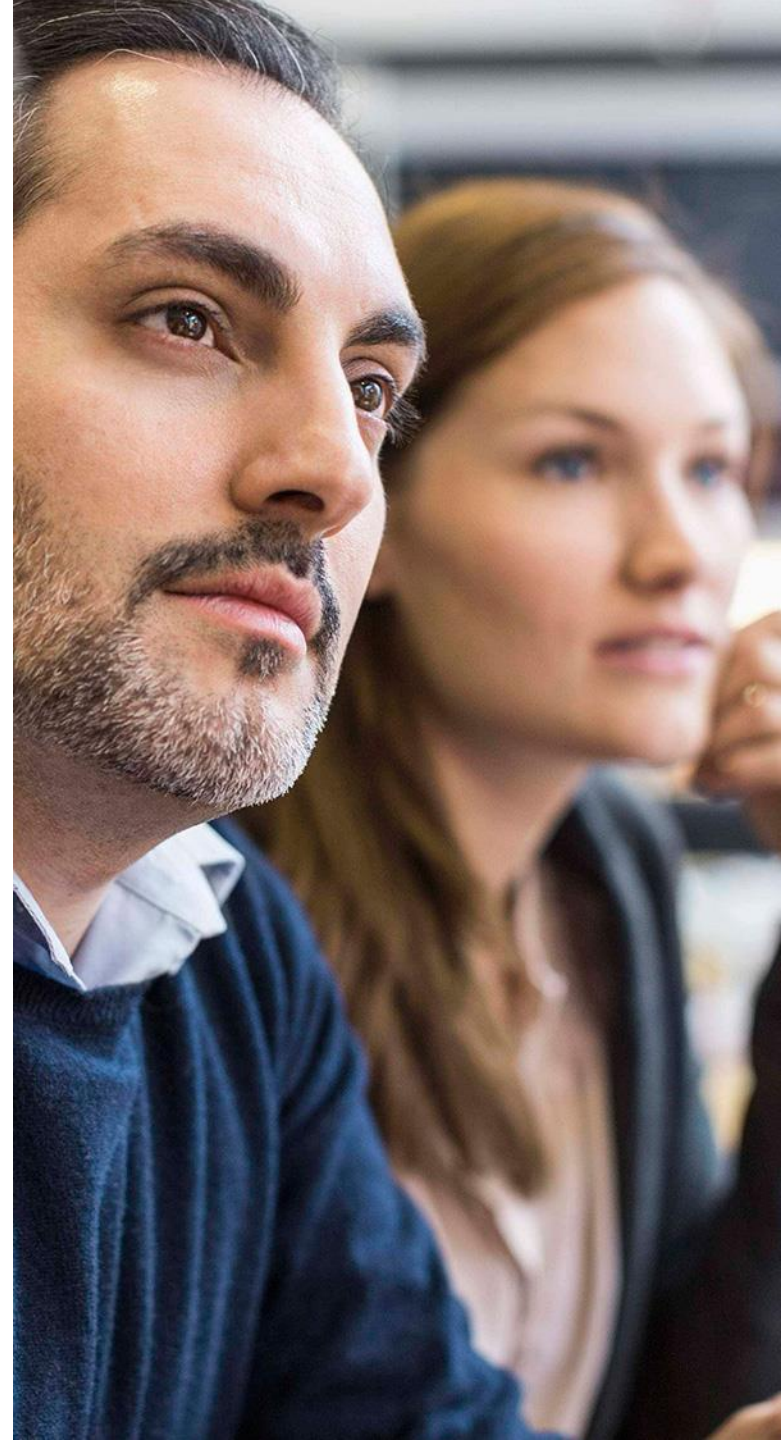- Appraisal alternatives
- Airbnb
- Sustainable Communities

Fannie Mae®

QUESTIONS?

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APPENDIX

Day 1 Certainty Resources

Reference Materials
- DU Validation Service Reference Guide 🔒
- DU Validation Service FAQs
- DU Validation Service Testing and Integration guide
- DU Validation Vendor List

Job Aids
- Income, Assets, and Employment Validation Examples 🔒
- DU Validation Service QC Considerations
- Day 1 Certainty Prefunding QC Worksheet 🔒
- Day 1 Certainty Post-Closing QC Worksheet 🔒

On Demand eLearning Courses
- Introduction to Day 1 Certainty
- Implementing Day 1 Certainty: DU Validation Service, Property Inspection Waiver, and Certainty on Appraised Value
- DU Validation Service Overview: Income, Employment, and Assets 🔒
- DU Validation Service: Quality Control Overview

Other related sites
- Property Inspection Waiver webpage with links to PIW factsheet, FAQs, and more
- Certainty on Appraised Value Infographic and FAQs
- View Demonstration of Single Source Validation
- Building On Certainty
- Fannie Mae Connect™
- EarlyCheck™
- Collateral Underwriter®

Note: Items with the lock icon 🔒 require a DU/DU/Fannie Mae Connect user ID and password.

Sample Retail channel work-flow

General DU Validation Service Process – Retail Process Flow
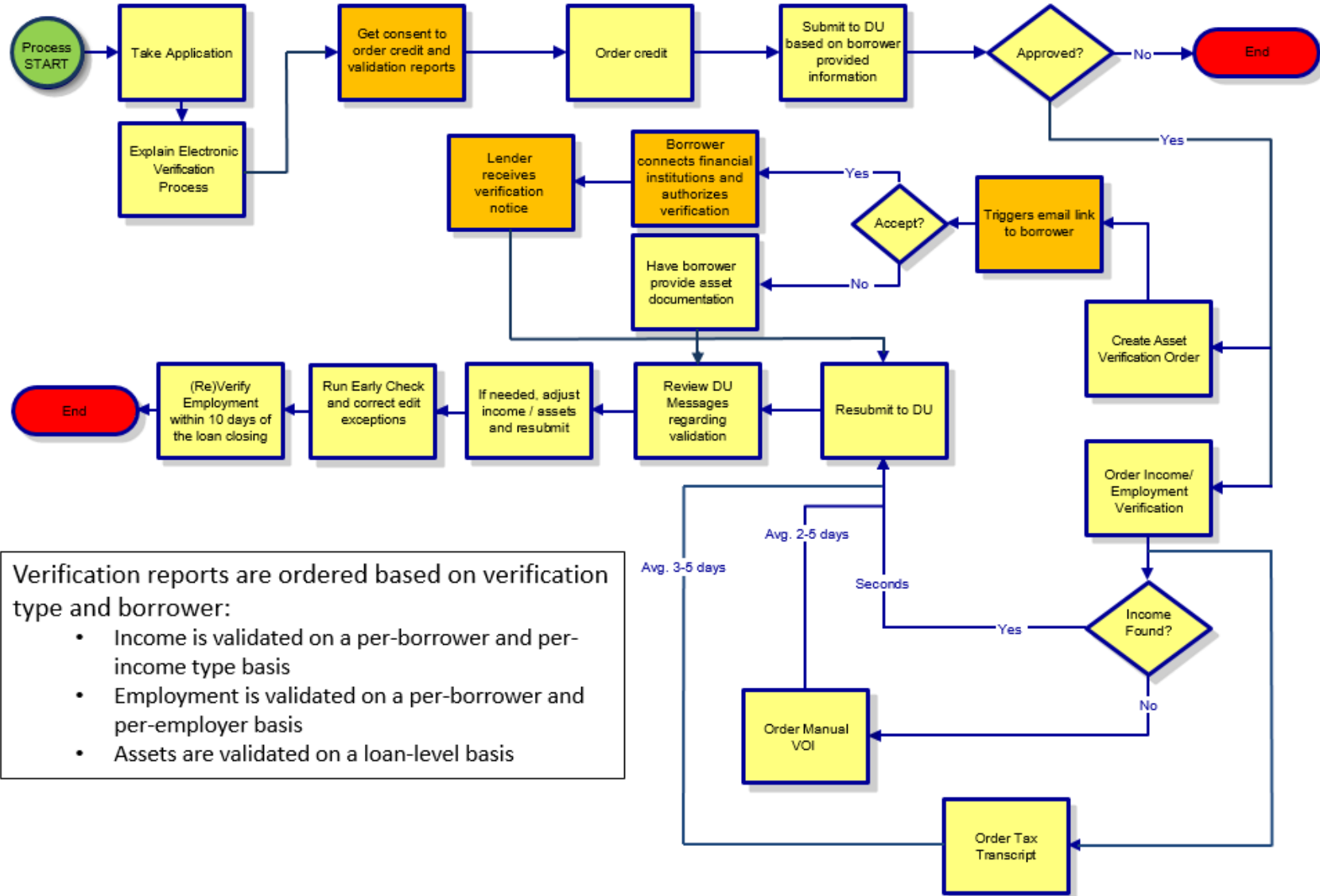
Verification reports are ordered based on verification type and borrower:
- Income is validated on a per-borrower and per-income type basis
- Employment is validated on a per-borrower and per-employer basis
- Assets are validated on a loan-level basis

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Thank You for joining the **Day 1 Certainty** Webinar