



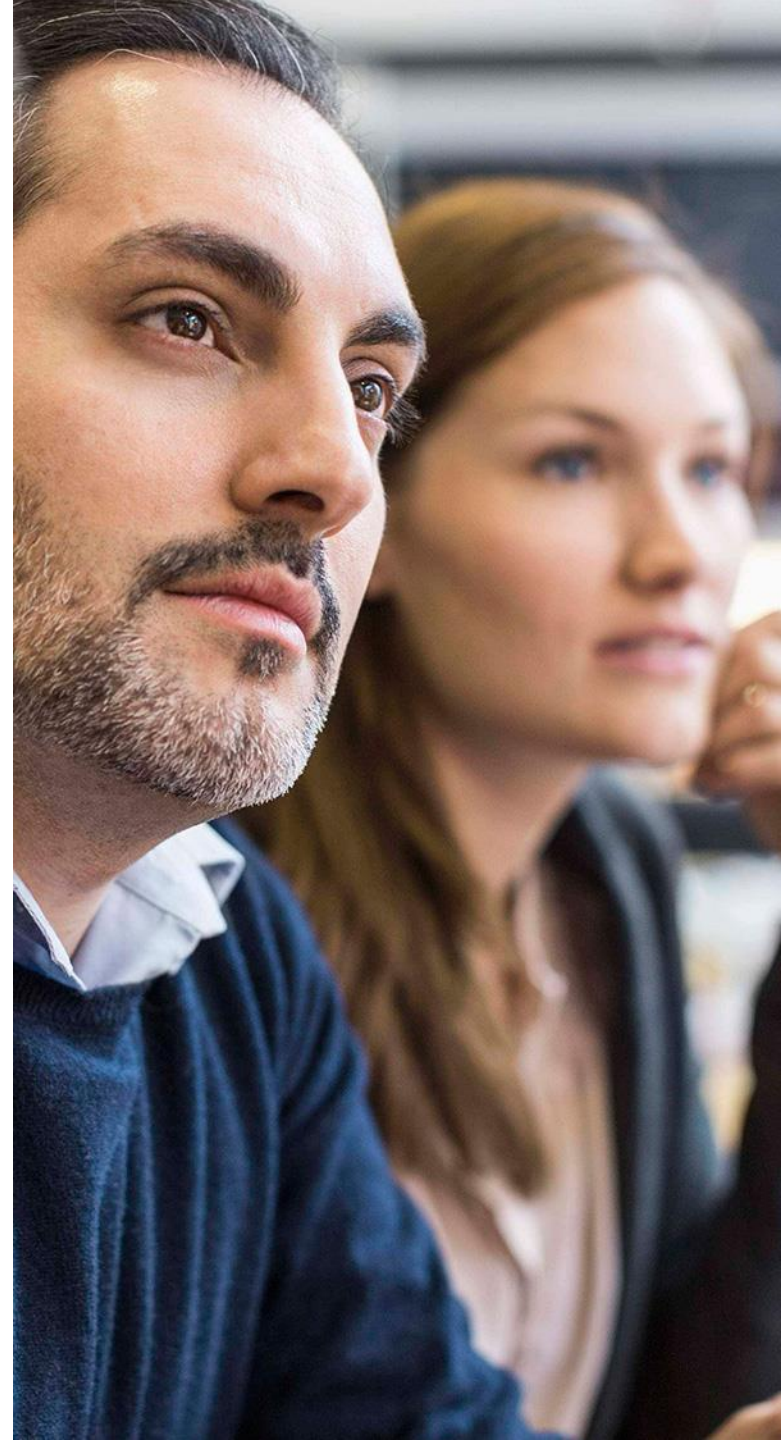
Fannie Mae®

# Florida Credit Union Real Estate Network

July 20, 2018

## — DAY1 — CERTAINTY™

Optimizing Day 1 Certainty  
Implementation



# — Welcome —



**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.





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## **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

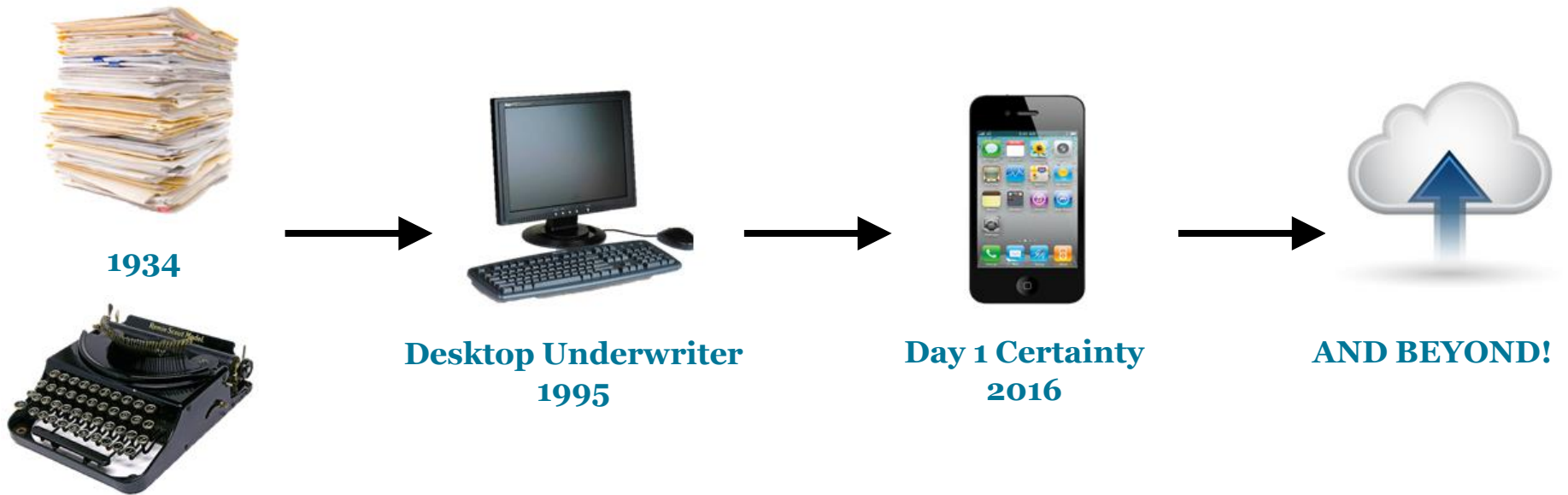


### Universal goals of our customer:

- Improve their borrowers' experience
- Increase certainty
- Lower costs and increased operational efficiency across all channels



# Borrower expectations are driving change to the mortgage process

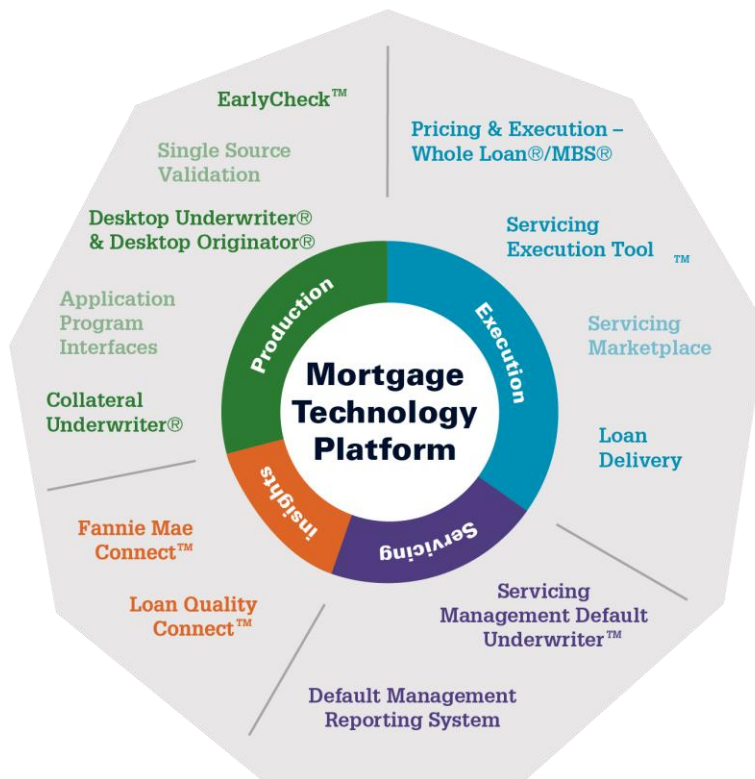




# Which is why we are continuously focused on delivering a fully digital mortgage

## 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



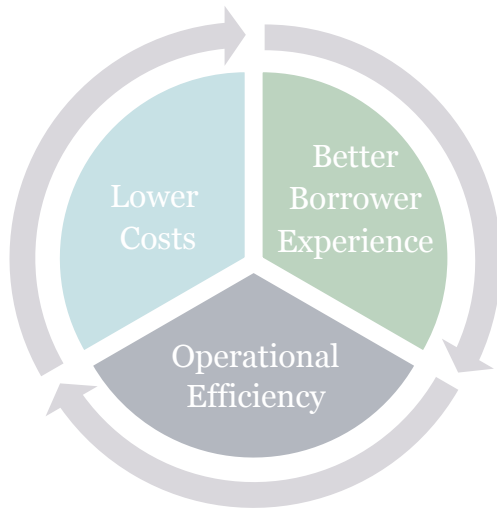
## **Certainty on Appraised Value**

*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



In Q1 2018

**53,000**

Loans delivered with one or more validated components through the DU validation service

**3/4**

Lenders using the DU validation service account for 3/4 of all deliveries through DU

**\$400B**

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.”

— DAY1 —  
**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<sup>®</sup> (DU<sup>®</sup>) 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

**DAY 1**  
**CERTAINTY**



### 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.

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

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



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



DU calculated amount  $\geq$  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.

**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  $\geq$  Total Funds to be Verified as messaged in DU.

Also assess deposit transactions for large deposits.



**YES!**

Assets are validated. Vendor report is acceptable documentation.

Large deposits are flagged within messages.



**NO**

Additional documentation is required / traditional documentation process.

*Assets are validated on a loan-level basis.*

**Q1 2018 Average cycle time reduction: ~14%**



## Eligibility for Validation

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



# Sample: Employment and Income Verification Report

1212201511 / 4183258 / 4183258

**THE WORK NUMBER**  
America's No. 1  
Employment & Income  
Verification Service

**UNOFFICIAL COPY For Demonstration Purposes Only**

The following information is provided in response to your request for an Employment Plus Income Verification on: 12/13/2015.

**Verification Type:** Employment & Income Verification  
**Permissible Purpose:** Consumer's application for credit  
**Information Current As Of:** 11/15/2015  
**Employer:** Enterprise USA (91001)  
**Headquarters Address:**  
**Street:** 11432 Lackland Road  
**City:** St. Louis  
**State:** MO  
**Zip Code:** 63146  
**Employer Disclaimer:** This is where a general employer message would be added and edited.  
**Division:** Data Not Provided  
**Employee:** ROBEANNE SMITH  
**Social Security Number:** 799-00-5001  
**Employment Status:** Active  
**Most Recent Start Date:** 01/17/1998  
**Original Hire Date:** 09/17/2006  
**Total Time With Employer:** 17 Years, 10 Months  
**Job Title:** DEMO MANAGER - OPERATIONS  
**Rate of Pay:** \$18.00 Hourly  
**Average Hours Per Pay Period:** 80

Year	Base Pay	Overtime	Commission	Bonuses	Other Income	Total Pay
2015 YTD	\$33,120.00	\$200.00	\$0.00	\$400.00	\$50.00	\$33,770.00
2014	\$35,568.00	\$180.00	\$0.00	\$360.00	\$45.00	\$36,153.00
2013	\$33,789.60	\$162.00	\$0.00	\$324.00	\$40.50	\$34,316.10

**Date of Pay Increase:** Next Projected 11/15/2015 Last 10/17/2015  
**Amount of Pay Increase:** \$1,000.00 \$1,000.00  
**Reference Number:** 4625959332  
**Tracking Number:** 1212201511

**This information is provided as historical information and cannot be used to apply for a loan or verify employment or income.**

The statement above is an official verification generated from The Work Number. Because this verification is system-generated with data that originated directly from the employer's payroll system, it is tamper-resistant and represents a higher level of authenticity than employee-furnished copies of paystubs or W-2s. If any information is missing, it is because the employer did not provide this information for inclusion in The Work Number verification. Note: If this person left this employer and was rehired later, the "Total Time with Employer" amount will likely be understated and will only reflect the most recent consecutive months of service. Questions? Call 1-800-996-7566 (Hearing impaired clients may call 1-800-424-0253 / TTY).



# Example: Base Income Validation

1

## Employment and Income Verification Report

Rate of Pay: \$1,000 Biweekly

2

DU validation service calculation:

$(\$1,000 \text{ biweekly amount} \times 26 \text{ weeks}) / 12 \text{ months} = \$2,166.67$

3

DU 1003	
Base Income	John H. \$2,166.67

**VALIDATED**

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



## Pilot



## Sales



## Launch & Monitor

- 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

- 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

- 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.

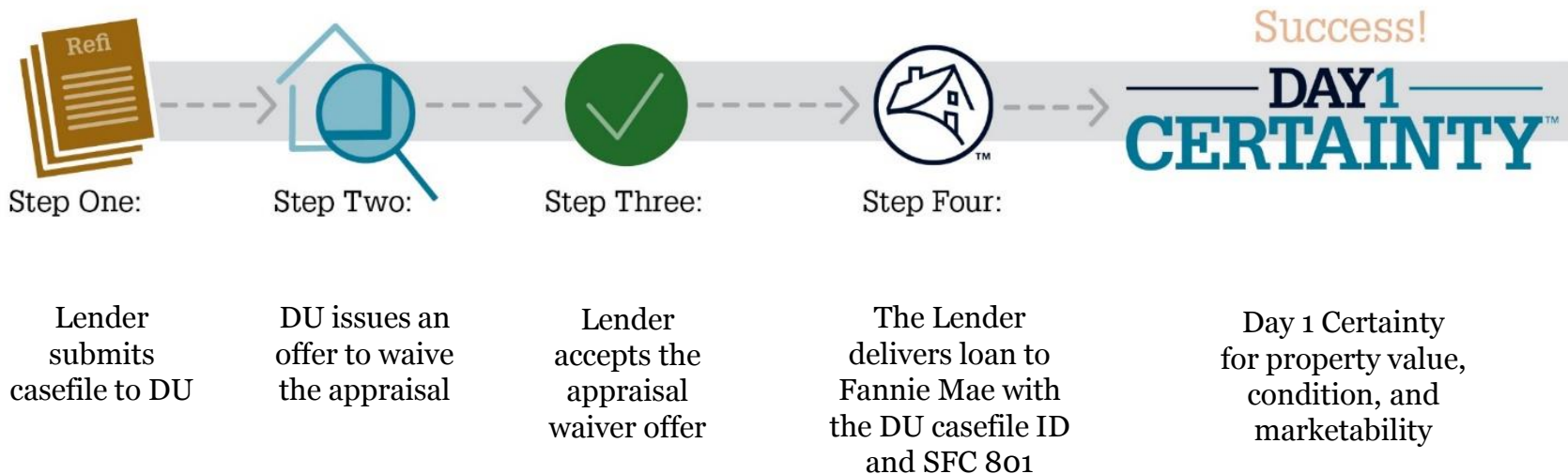
- Execute follow up plan for routine check-ins with pilot team
- Establish measures of success
- Identify PMO to track and monitor pilot results
- Develop process for using Fannie Mae Connect reports
- Go live with pilot team and report results to key stakeholders
- Share success stories and testimonials 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.



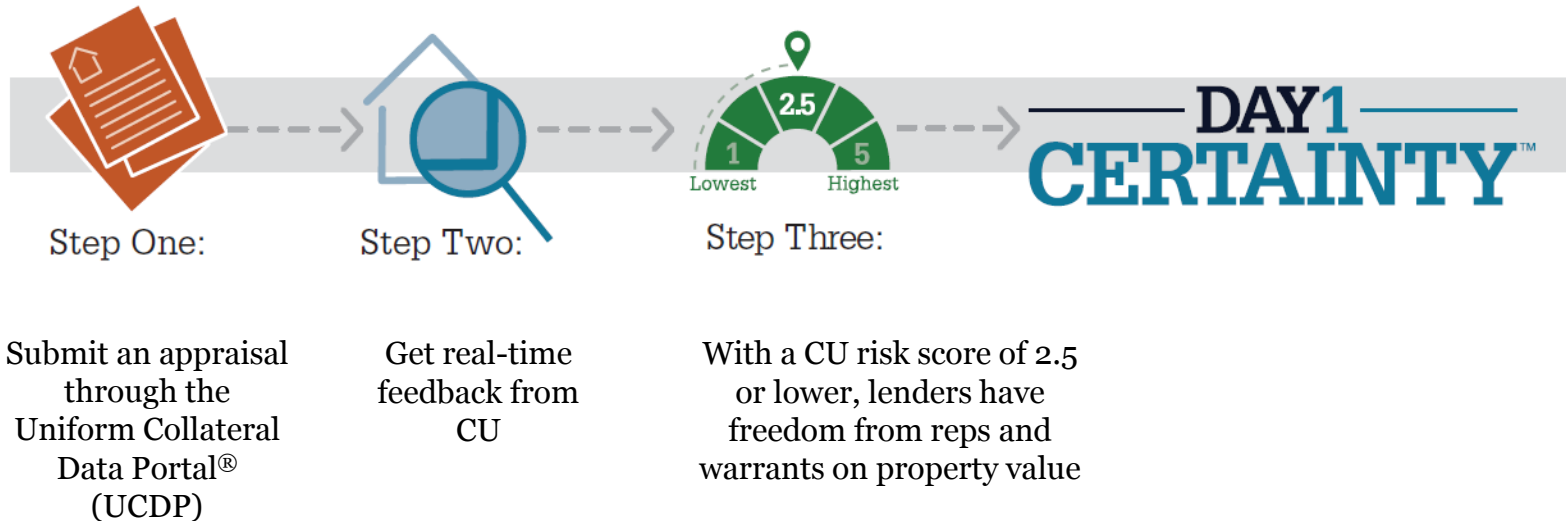
Q1 2018 Average cycle time reduction: ~38%

Collateral Underwriter<sup>+</sup> Powered by 



## 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.



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



## Welcome to the Future

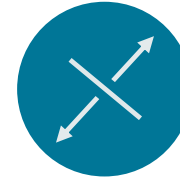
### ✓ Implement the DU validation service

- 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

Income, Assets, and Employment

TRANSACTION HISTORY		04/01/2016 — 05/30/2016 (60 days)		
Date	Description	Debit	Credit	Alerts
05/18/2016	POS PURCHASE STEAK-N-SHAKE#0DAVIE	(32.74)		
05/17/2016	CHECK CRD PURCHASE SUNSET STRIP GASOL SUNRISE FL	(38.94)		
05/16/2016	POS PURCHASE - COSTCO DORAL FL	(105.00)		
05/15/2016	DIRECT DEPOSIT MAXIM HEALTHCARE		1,000.00	Direct Deposit
05/13/2016	DEBIT PIN PURCHASE WHOLE FOODS MARKET	(74.00)		
05/13/2016	ITUNES MUSIC STORE IAUSTIN MGSFKDKV4K0 iTunes Music Store	(7.47)		
05/13/2016	DEBIT PIN PURCHASE SUNPASS OPERATIONS	(40.00)		
05/12/2016	DEBIT PURCHASE SHELL POS DAVIE FL	(37.00)		
05/12/2016	ONLINE TRANSFER REF #IBE2DQ5LT6 TO COMMAND CASH AND SWEEP	(635.99)		
05/10/2016	POS THE HOME DEPOT #6341 DAVIE FL	(51.86)		
05/09/2016	CHECK CRD PURCHASE CHICK-FILA #x2600 DAVIE FL	(28.67)		
05/09/2016	DEBIT PURCHASE EXXONMOBIL POS DAVIE FL	(37.00)		
05/08/2016	WNE'ZAGATWINE 8xx-xxxx721 1/03WNE'ZAGAT	(11.42)		
05/07/2016	POS PURCHASE - WALGREENS 3015 DAVIE FL xxxxx xxxxx xxxxx xxxxx 1216	(38.90)		
05/05/2016	DEL BOCA VISTA HOTELS PORTFINO ORLANDO FL	(47.67)		

- 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](http://www.fanniemae.com/day1certainty)

**Fannie Mae** Search forms, documents, site content, etc. Login

Single-Family ▾ Originating & Underwriting Pricing & Execution Delivering Servicing Training Technology

## Day 1 Certainty

Day 1 Certainty™ gives lenders freedom from representations and warranties plus greater speed and simplicity, and enables an improved borrower experience.

### DAY1 CERTAINTY™

**What's New**

Day 1 Certainty Policy Clarifications Mar 28, 2017

The Selling Guide has been updated to reflect policy clarifications for the Desktop Underwriter (DU) validation service and certainty on appraised value components of Day 1 Certainty.

**Learn More**

- Overview
- Resource Guide
- DU Validation Service
- Verification Report Vendors **updated**
- Data Vendor Process
- Press Release

**Transform Your Business**

Find out how we can help you transform your business.

**DAY1 CERTAINTY™**

**OnDemand eLearning Courses**

DU/DO/Fannie Mae Connect user credentials are needed to access overview eLearning course.

Introduction to Day 1 Certainty

Implementing Day 1 Certainty: DU Validation Service, Property Inspection Waiver, and Certainty on Appraised Value

**With Day 1 Certainty, Get Freedom...**

Freedom from paper-based processes with validation of income, assets, and employment

**See DU Validation Service**

Freedom from appraisal requirements on eligible refi transactions

**See Property Inspection Waiver**

Freedom from reps and warrants on appraised value

**See Collateral Underwriter**



# Uniform Closing Document

## Reference Materials

Visit/bookmark the UCD page on FannieMae.com: [www.fanniemae.com/singlefamily/uniform-closing-dataset](http://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



The screenshot shows the 'UCD Collection Solution' page. At the top, there's a 'LAUNCH APP' button. Below it, a 'See Availability' section with a 'Technology Application Availability' link. A 'Need Technology Support?' section offers 24/7 support via phone, live chat, or a 'Technology Application Support' link. The 'UCD Highlights' section features a video player. The 'Help & Training' section includes 'Application Training' (with links to Quick Guides for Relationships, Transfer, Casefile ID, and User Guide), 'OnDemand eLearning Course' (with links to User Training and Transfer Capability), and 'Non-Seller Resources' (with links to a Toolkit and Access Guide). The 'Release Notes' section lists 'UCD Release V. 3.0 | Aug. 28, 2017'. The 'Technical Resources' section includes 'UCD Technology Solution Providers List updated', 'UCD Feedback Messages', and 'UCD Feedback Message Schema (zip) - Release V. 3.0 | July 28 (Integration)/Aug. 28 (Production)'. There are also 'Upcoming Webinars' and 'Upcoming Milestones' sections.

## QUESTIONS

Application	Support Options
UCD solution	<ul style="list-style-type: none"> <li>• Email <a href="mailto:UCD@fanniemae.com">UCD@fanniemae.com</a></li> <li>• Call 800-2FANNIE (800-232-6643)</li> <li>• Contact your Fannie Mae representative</li> </ul>
Technology Manager	<ul style="list-style-type: none"> <li>• 800-2FANNIE (800-232-6643)</li> <li>• Email <a href="mailto:technology_manager_request@fanniemae.com">technology_manager_request@fanniemae.com</a></li> </ul>



# 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

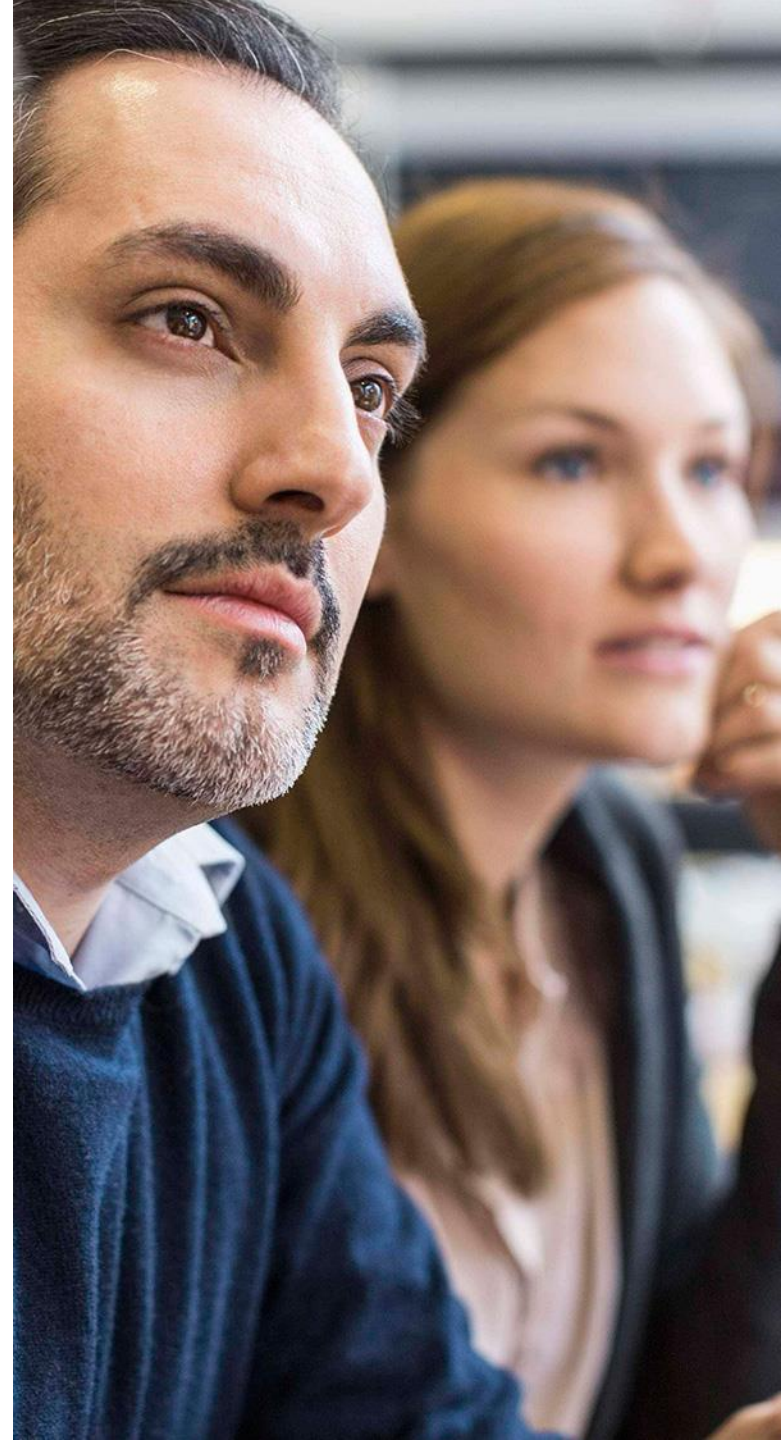




Fannie Mae®

**QUESTIONS?**

[Brian\\_Cusick@Fanniemae.com](mailto:Brian_Cusick@Fanniemae.com)






# 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](#)

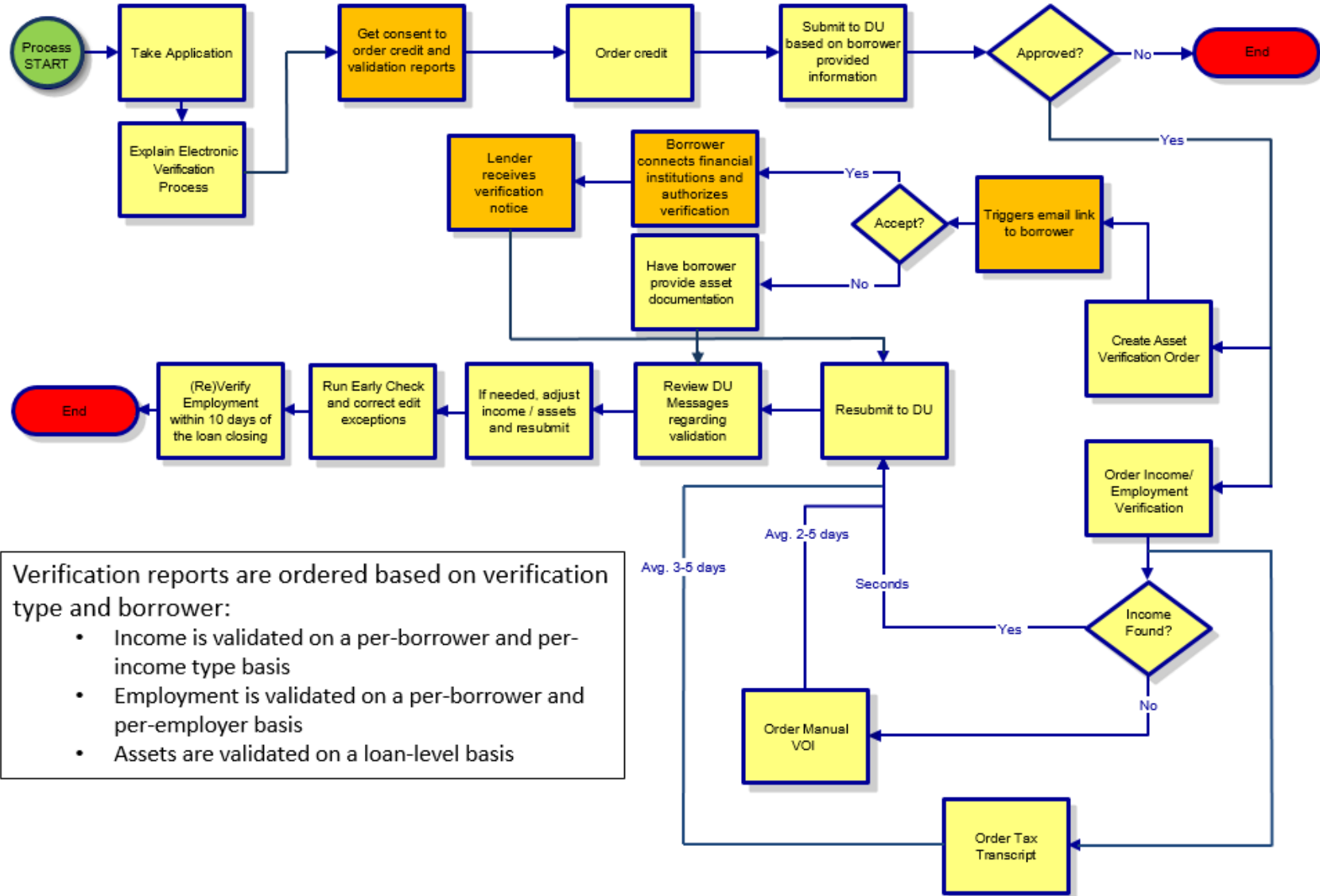
## Other related sites

- [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



Fannie Mae®

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

