



Fannie Mae®

Optimize Your Origination Process with

DAY1
CERTAINTY™

Florida Credit Union Real Estate Network
July 20, 2017





What We Are Hearing From Customers



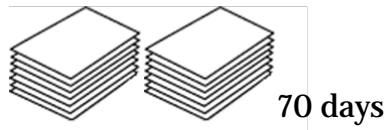
Universal goals of our customer:

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



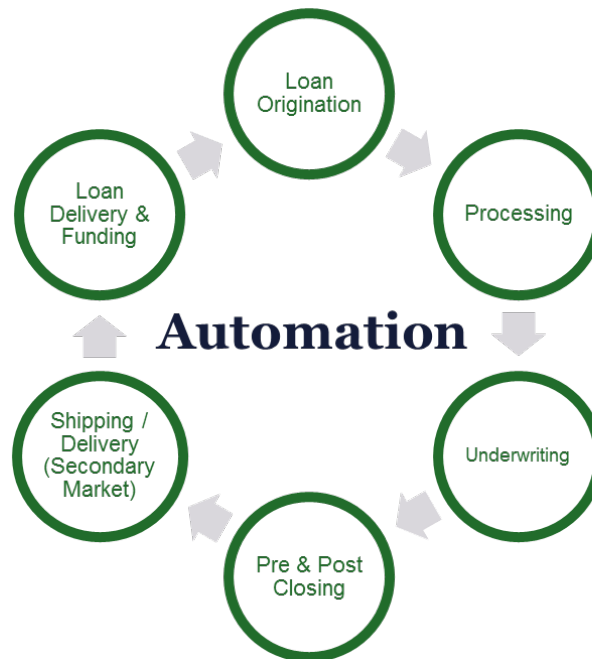
Fannie Mae's Vision for the Future:

Delivering a digital mortgage process – “70 to 10”



Today

- Lots of paper
- Complex and manual
- Time-consuming



Future

- Reduced paper
- Streamlined and automated
- Faster and easier



DAY 1 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 origination cycle time
- Freedom from rep & warrant on validated components



Property Inspection Waiver

Freedom from appraisal requirements on eligible refi transactions

- Exceptional point of sale customer experience
- Reduced origination cycle time and cost savings
- Freedom from rep & warrant 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
- Freedom from rep & warrant on appraised value



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.”

“We are experiencing an average turn time gain of seven days when we have at least one aspect of validation, compared to files where we do not have any Day 1 Certainty validation.”

— DAY1 —
CERTAINTY™

“This is a win-win, as the customer’s experience is improved through reduced documentation and accelerated closing dates, while we receive reps & warrants [relief] and operational efficiencies.” -

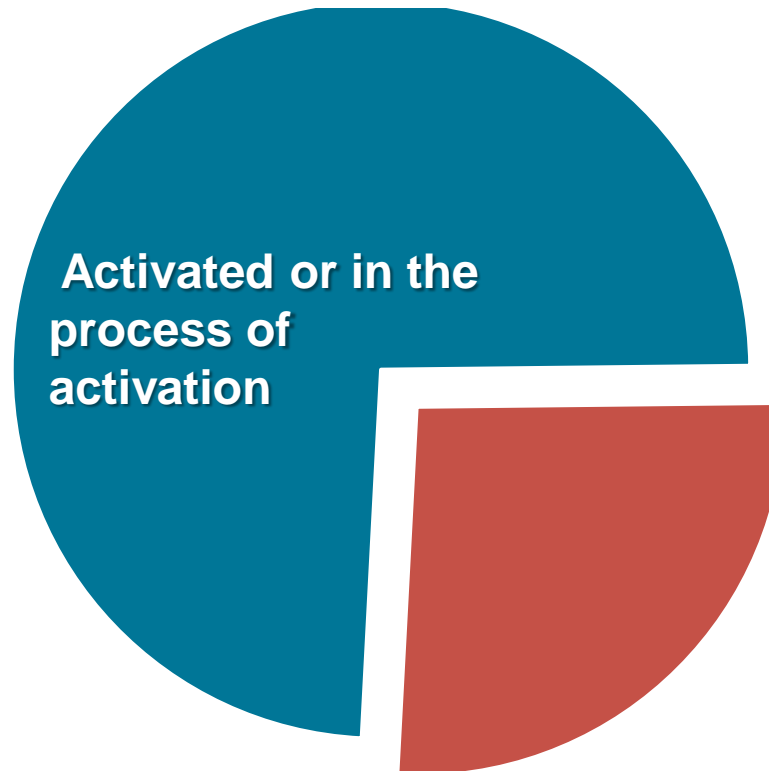
“Efficient utilization of technology is the highway to lowering origination costs and enhancing customer experience. Fannie Mae's Day 1 Certainty is the vehicle to take [us] down that highway.”



DU Validation Service

Industry demand has soared since its October 2016 debut – just seven months ago

Fannie Mae's Top 100 Lenders by Volume





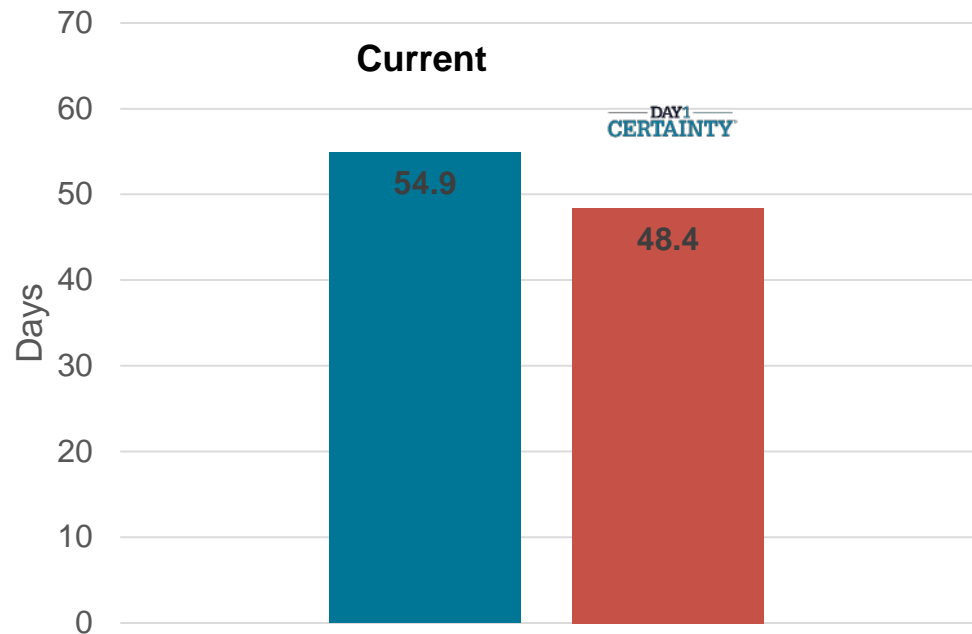
DU Validation Service – Income Validation

For lenders who are leveraging income validation, origination cycle times are materially reduced

Average cycle time reduction
with Income Validation:
6.5 days

Your average could go from
54.9 days to 48.4

Potential Cycle Time Reduction with
Income Validation



These averages reflect October 2016 – April 2017 ULDD data on purchase and refinance loans across all channels.

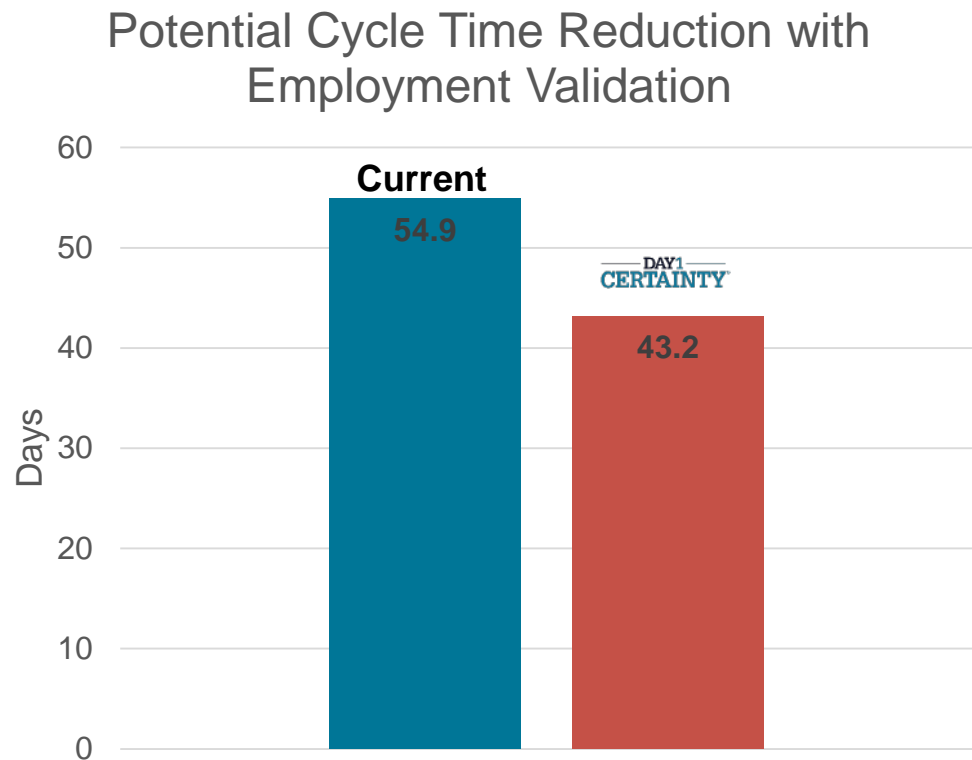


DU Validation Service – Employment Validation

For lenders who are leveraging employment validation, origination cycle times are materially reduced

Average cycle time reduction
with Employment Validation:
11.7 days

Your average could go from
54.9 days to 43.2



These averages reflect October 2016 – April 2017 ULDD data on purchase and refinance loans across all channels.



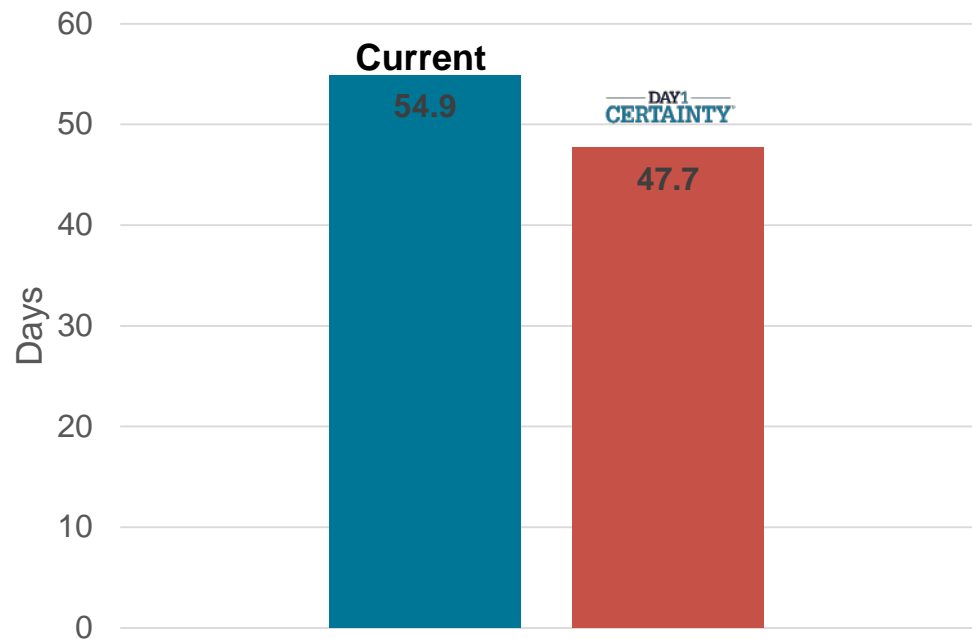
DU Validation Service –Asset Validation

For lenders who are leveraging asset validation, origination cycle times are materially reduced

Average cycle time reduction
with Asset Validation:
7.2 days

Your average could go from
54.9 days to 47.7

Potential Cycle Time Reduction with
Asset Validation



These averages reflect October 2016 – April 2017 ULDD data on purchase and refinance loans across all channels.



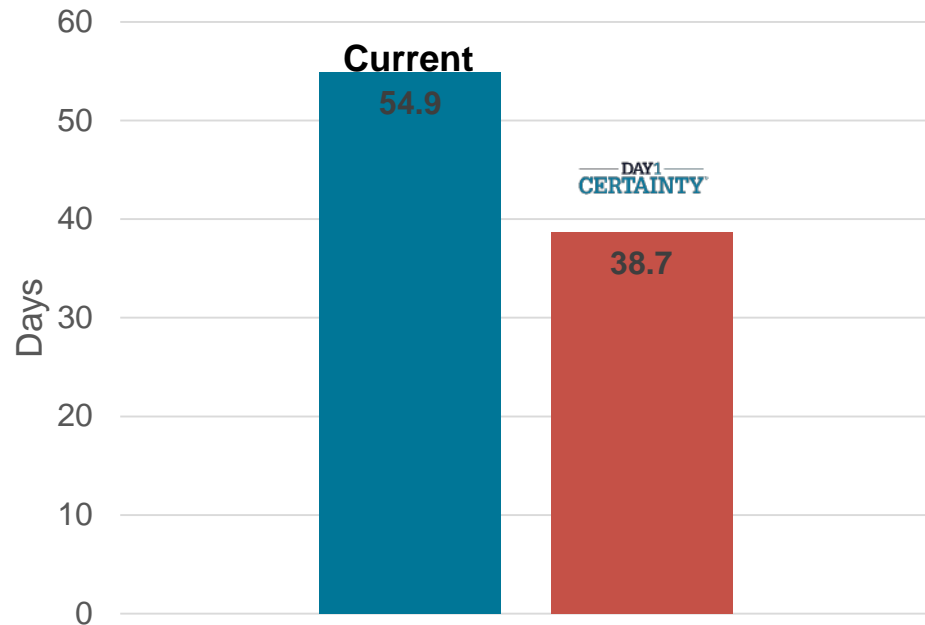
Property Inspection Waiver

Significantly reduced origination cycle times on eligible refinance transactions when leveraging Property Inspection Waivers (PIW)

Average cycle time reduction
with PIW leveraged:
16.2 days

Your average could go from
54.9 days to 38.7

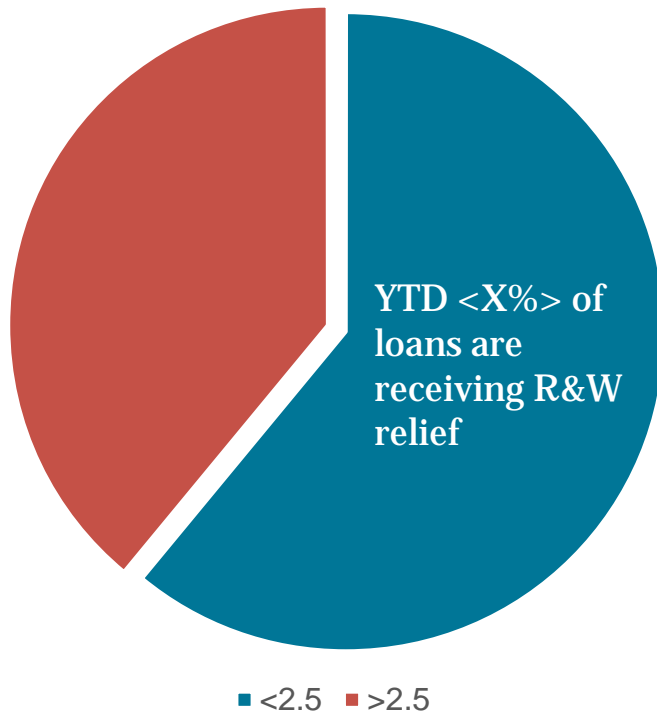
Potential Cycle Time Reduction with
PIW



These averages reflect October 2016 – April 2017 ULDD data on purchase and refinance loans across all channels. PIW offers issued on approximately 20% of eligible refinance transactions.



Certainty on Appraised Value Powered by Collateral Underwriter[®] (CU[™])



- Use CU to proactively manage appraisal quality
- Get R&W relief on appraisals with CU risk scores of 2.5 or less



This data reflects October 2016 – March 2017 ULDD data on purchase and refinance loans across all channels. Value R&W is available for approximately 60% of applications.



**Digital efficiencies will determine
which lenders surge ahead ...**

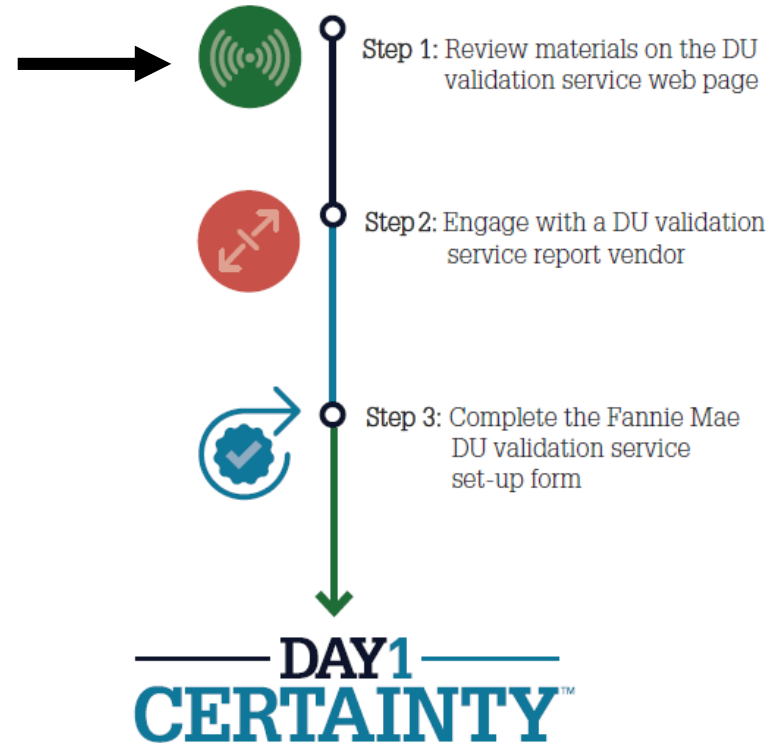


...and which get left behind.



Welcome to the Future

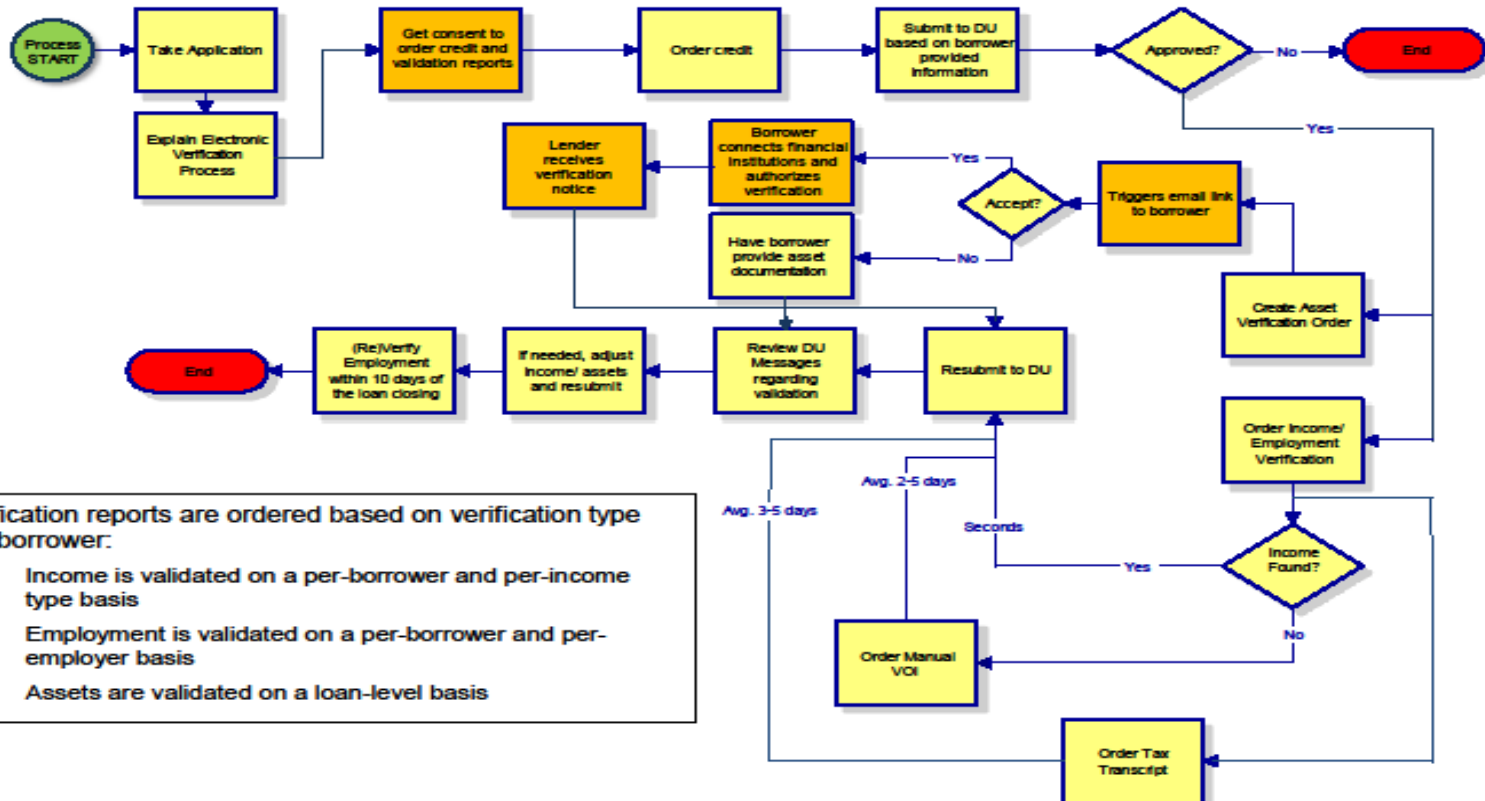
- ✓ Register with the DU validation service
 - Income
 - Employment
 - Assets
- ✓ Exercise offers for Property Inspection Waivers
- ✓ Leverage Collateral Underwriter to manage appraisal quality





Fannie MaeSM

General DU Validation Service Process – Retail



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

This is a general overview of the [DU validation service](#) process. For additional information, please see the Selling Guide. Average results will vary, please contact your report suppliers for more information.



Desktop Underwriter® (DU®) Version 10.1 (announced 05/30/17)

Desktop Underwriter will provide simpler, more certain underwriting guidelines to help lenders serve their borrowers with fewer manual processes and will bring these policy simplifications:

- **Increased maximum DTI** – The maximum allowable debt-to-income ratio in DU will be increased to 50%, certain compensating factors no longer required.
- **ARM enhancements** – The maximum allowable loan-to-value (LTV) ratios for adjustable rate mortgages will be aligned with fixed-rate mortgage LTV ratios for all transactions, occupancy and property types, up to a maximum of 95%.
- **Simpler self-employed borrower documentation requirements** – By updating the criteria that determines the documentation required to verify a self-employed borrower's income, the number of DU loan casefiles eligible for the one year of personal and business tax return documentation requirements will increase.
- **Disputed tradelines** – DU will assess the risk using any disputed tradelines, and lenders will not be required to investigate the disputed tradelines if the loan casefile receives an Approve recommendation when using the disputed tradelines.
- **User interface updates for HMDA fields** - Lenders are required to collect the new and amended borrower demographic information in the Uniform Residential Loan Application (URLA) on loan applications taken on or after January 1, 2018. The DU/DO user interface will be updated the weekend of July 29, 2017, to support these data collection requirements.
- **Additional changes:** Updates to the DU risk assessment, updates to the messages issued by the DU validation service, updates to align with the *Selling Guide*, Property Inspection Waiver for Preliminary Findings, and retirement of DU v9.3.



Changes to the reporting of civil judgments and tax liens on credit reports

In July 2017, the three nationwide consumer credit report agencies (CRAs) – Equifax, Experian, and TransUnion – will implement a public record data standard that is designed to improve the accuracy of credit reports. These changes, under the National Consumer Assistance Plan, are expected to result in the exclusion of most civil judgments and tax liens on credit reports. The CRAs have reported that there will be minimal impact to credit scores and no impact to foreclosure and bankruptcy data.

Lenders can have full confidence in the Desktop Underwriter® (DU®) risk assessment and recommendations. If judgment and lien information is still included in credit reports, DU will continue to leverage this information as a part of the risk assessment. If this information is unavailable, the impact to the DU recommendation will be minimal and lenders can be confident in our risk assessment and Approve/Eligible recommendation. Credit scores are not included in DU's risk assessment.

The Loan Quality Center's (LQC) processes will be updated to reflect changes from the credit bureaus. The LQC's post acquisition file review process will consider changes made by the credit bureaus, including if a lien or judgment is not included in the lender's origination file. If such cases, we will cite a finding (and not a significant defect) to ensure the lender is aware of the information.

Our credit report policy remains the same. We are not changing existing policy that requires delinquent credit, including judgments and liens, to be paid off at or prior to closing. Additionally, we're not changing our undisclosed liabilities policy for which the lender is responsible up to and at closing.



Student Loan Solutions (announced April 25, 2017)

- **Student Loan Cash-Out Refinance:** Offers homeowners the flexibility to pay off high interest rate student debt while potentially refinancing to a lower mortgage interest rate.
- **Debt Paid by Others:** Widens borrower eligibility to qualify for a home loan by excluding from the borrower's debt-to-income ratio non-mortgage debt, such as credit cards, auto loans, and student loans, paid by someone else.
- **Student Debt Payment Calculation:** Makes it more likely for borrowers with student debt to qualify for a loan by allowing lenders to accept student loan payment information on credit reports.