Are You Smarter Than An Underwriter?

Do you Know? A Quiz

July 2019





Remember Our Quiz Is Based On Conventional Loans ONLY and General Fannie Mae and Freddie Mac Guidelines; No HARP or HIGH LTV Refinance Questions; Your Internal/Investor Policies May Differ Than What Fannie Mae And/Or Freddie Mac Allow

Did you Know?





1.Credit (Desktop Underwriter®)

You have a non-HARP loan. What is the minimum credit score required (when the borrower has a credit score) for a loan submitted to DU 10.0 to receive an Approve/ Eligible Recommendation?

- No minimum required
- **.** □ 620
- 640
- •**□** 660

1.Credit (DU®)

You have a non-HARP loan. What is the minimum credit score required (when the borrower has a credit score) for a loan submitted to DU 10.0 to receive an Approve/Eligible Recommendation?

- No minimum required
- •*□* 620
- •**□** 640
- 660

Fannie Mae Credit Requirements with DU

Minimum Credit Score Requirements

Fannie Mae's minimum credit score requirements are published in the <u>Eliqibility Matrix</u> and are based on the representative credit score for the transaction and the highest of the LTV, CLTV, or HCLTV ratios, as applicable. See <u>B3-5.1-02</u>, <u>Determining the Representative Credit Score for a Mortgage Loan</u> for additional information. The following requirements apply:

| Transaction Type | Minimum Representative Credit Score |
|--|---|
| Manually underwritten mortgage loans | Per the Eligibility Matrix, but in no case will credit scores be lower than |
| | 620 — fixed-rate loans |
| | 640 — ARMs |
| DU loan casefiles | DU performs its own analysis of the credit report data, but in no case will credit scores be lower than |
| | 620 — fixed-rate loans and ARMs |
| Mortgage loans insured or guaranteed by a federal government agency (HUD, FHA, VA, and RD) | 620 |
| Loans delivered pursuant to any variance contained in the lender's Master Agreement | Higher of 620 or the minimum credit score required by the variance |

Selling Guide

Published October 2, 2018

➤: Guide Table of Contents

B3-5.1-01: General Requirements for Credit Scores (12/19/2017)

This topic describes Fannie Mae's requirements for borrower credit scores, including:

Credit Score Versions >

Minimum Credit Score Requirements

Exceptions to the Minimum Credit Score Requirement >

DU Credit Score Requirements >

Loan-Level Price Adjustments Based on Credit Score >



2.Credit (Loan Product Advisor®)

You have a non-HARP loan. What is the minimum credit score required (when they have a credit score) for a loan submitted to Loan Product Advisor to receive an Accept/Eligible Recommendation?

- ■ No minimum published
- **.** □ 620
- •**□** 640
- **•** 660

2.Credit (Loan Product Advisor)

You have a non-HARP loan. What is the minimum credit score required (when they have a credit score) for a loan submitted to Loan Product Advisor to receive an Accept/Eligible Recommendation?

- ☐ No minimum published
- **.** □ 620
- **.** □ 640
- •**□** 660

3.Credit (DU)

For DU 10.0, a 30 day late on a mortgage is considered the same risk as a 30 day late on a car loan?

| □ True |
|--------|
|--------|

3.Credit (DU)

For DU 10.0 and higher, a 30 day late on a mortgage is considered the same risk as a 30 day late on a car loan?



│ *False*



Desktop Originator/Desktop Underwriter Release Notes DU Version 10.0

Delinquent Accounts

Payment history is a significant factor in the evaluation of the borrower's credit. DU considers the severity of the delinquencies (30, 60, 90, or more days late), the length of time since the delinquencies, the number of accounts that were not paid as agreed, and the type of accounts with delinquencies.

A payment history that includes bills that are 30 days or more past-due, or a history of paying bills late as evidenced by a number of accounts with late payments, will have a negative impact on the borrower's credit profile. A history of paying a mortgage loan late will have an even more negative impact on the credit profile. The amount of time that has elapsed since an account was delinquent is an important factor included in the evaluation of the payment history. For example, a 30-day late payment that is less than three months old indicates a higher risk than a 30-day late payment that occurred several years ago.

Mortgage delinquencies will no longer be viewed as higher risk than non-mortgage delinquencies.



4.Credit (DU)

How many undisputed tradelines are required to be analyzed by the FICO credit scoring model to produce a score?

| 1 |
|---|
| |

4.Credit (DU)

How many undisputed tradelines are required to be analyzed by the FICO credit scoring model to produce a score?

∏1

2

□ 3

No Minimum

That Doesn't Mean You/Your Policy Will Allow You To Use The Credit Score; Check Product Guidelines; Fannie Mae Allows But You May Have An Overlay To Disregard The Score Due To It Being Based On A Thin Credit Profile

Generating A Credit Score

What are the minimum requirements to generate a FICO Score?

- At least 1 account that has been open for a minimum of 6 months
- At least 1 undisputed account that has been reported to the credit bureau within the last six months
- No indication that the consumer is deceased

Did you Know?

INCOME & LIABILITIES



The maximum DTI on a DU Approve/Eligible recommendation on a non - HARP loan is?

- **36%**
- **□ 45%**
- **□** 50%
- No published maximum

The maximum DTI on a DU Approve/Eligible recommendation on a non - HARP loan is?

- **36%**
- **45%**
- **∏50%**
- No published maximum



Desktop Underwriter/Desktop Originator Release Notes DU Version 10.2

January 30, 2018

DU Version 10.2 will include an adjustment to the DU credit risk assessment that builds on the underwriting simplification we introduced last summer with DU Version 10.1.

Last year's update (DU Version 10.1) enabled loans with debt-to-income ratios above 45% (up to 50%) to rely on DU's comprehensive risk assessment, and removed specific rules that had previously set maximum loan-to-value ratio and minimum reserves requirements for those loans. After assessing the profile of loans delivered to us since the DU 10.1 changes went into effect, we are fine-tuning DU's risk assessment to limit risk layering.

This update supports our commitment to prudent risk management, helping lenders to better manage default risk while continuing to provide sustainable homeownership options to borrowers. There will be no change to the <u>risk factors</u> evaluated by DU.

DU Version 10.2 will also include the use of the Experian trended credit data received in the credit report as part of the credit risk assessment. The DU risk assessment will now include trended credit data from Equifax, Experian, and TransUnion.

Debt-to-Income Ratio

DU 10.3

Cash-out refinance transactions underwritten with DU Version 10.3 for borrowers with a debt-to-income ratio exceeding 45% must have at least six months of reserves. If there are not at least six months of reserves, the loan casefile will receive an Ineligible recommendation.

NOTE: Loan casefiles with a debt-to-income ratio exceeding 50% will continue to receive an Ineligible recommendation.



6.Income

What is the maximum DTI ratio a file may have and still receive an Accept/Eligible recommendation in Loan Product Advisor for a non- HARP loan?









6.Income

What is the maximum DTI ratio a file may have and still receive an Accept/Eligible recommendation in Loan Product Advisor for a non- HARP loan?





☐ No maximum published

A net rental loss can be subtracted from income rather than included as a liability when calculating the DTI for either Fannie Mae or Freddie Mac?



A net rental loss can be subtracted from income rather than included as a liability when calculating the DTI for Fannie Mae or Freddie Mac?

☐ True

☐ False

^{2.} Positive net rental income may be entered in "Gross Monthly Income" in Section V of Form 65. Aggregate net rental loss must be included as a liability.

In DU versions 10.0 and higher, selfemployment is always considered a risk factor in evaluating the file when the self employed income is being used as qualifying income.

☐ True

☐ False

In DU versions 10 and higher, selfemployment is always considered a risk factor in evaluating the file when the self employed income is being used as

qualifying.

☐ True



uneven cash flows, self-employment introduces an additional layer of risk to a mortgage loan application that is not present with salaried borrowers. Research has shown that self-employed borrowers tend to default on their mortgages more often than salaried borrowers, when all other risk factors are held constant.

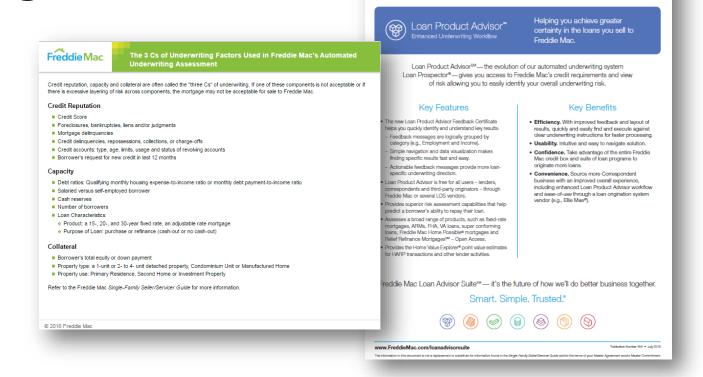
DU will take this additional risk into consideration when the only borrower on the loan is self-employed as his/her primary source of income, or when two of the borrowers on the loan are self-employed as their primary source of income.

In Loan Product Advisor, self-employment is always considered a risk factor in evaluating the file.

| Irue | |
|------|--|
|------|--|

In Loan Product Advisor, self-employment is always considered a risk factor in evaluating the file.





Freddie Mac Loan Advisor Suite™

10.Employment/Income (DU)

When a borrower receives an 1120S K-1 with reportable Ordinary Income on Line 1 with no distribution reported on Line 16d, Fannie Mae does not allow the K-1 to be used if there is no distribution.

| ☐ True | |
|--------|--|
|--------|--|

| | Fal | se |
|--|-----|----|
|--|-----|----|

| 1 | Ordinary business income (loss) |
|----|-----------------------------------|
| | 32,901 |
| 16 | Itams affecting shareholder basis |
| | Items affecting shareholder basis |
| С | 17 |
| | |
| | |
| | |
| | |

10.Employment/Income (DU)

When a borrower receives an 1120S K-1 with reportable Ordinary Income on Line 1 with no distribution reported on Line 16d, Fannie Mae does not allow the K1 to be used if there is no distribution.





| Liq | uidity (Acid Test or Quick Ratio) | 2015 |
|-----|--|------------------|
| 1 | Cash (P/Tship, S-C and Corp: Line 1d) | \$ 2,760.00 |
| 2 | Tradenotes/Accounts Receivable Without Bad Debt (P/Tship, S-C and Corp: Line 2b[d]) | |
| 3 | US Government Obligations and/or Tax-Exempt Securities (Lines 4 and 5)* | |
| 4 | Other Current Assets (Other Marketable Securities; P/Tship, S-C and Corp: Line 6d)* | |
| 5 | Accounts Payable (P/Tship: Line 15d, S-C or Corp: Line 16d) | |
| 6 | Mortgages, Notes or Bonds Payable in Less Than 1 Year (P/Tship: Line 16d, S-C or Corp: Line 17d) | |
| 7 | Other Current Liabilities (P/Tship: Line 17d, S-C or Corp: Line 18d) | \$ 4,789.00 |
| | Acid Test Ratio A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings. | 2,760 4,789.0 |

11.Employment/Income Loan Upon reviewing a Loan Product Advisor Feedback Certificate or a DU Findings Report, child support has been used to qualify. This income must be received timely and proof of how many months receipt is required?

☐ 3 months

☐ 6 months

☐ 12 months

3 years

11.Employment/Income Loan

Inon reviewing a Loan Product Advisor

Alimony, child support or separate maintenance income (Guide Section 5305.2) History of receipt: Most recent six months

If the payor has been obligated to make payments for less than six months, if the payments are not for the full amount or are not received on a consistent basis, the income must not be considered for qualifying.

Continuance: Document and verify the payor is obligated to make payment to the borrower for at least the next three years

Calculation: Use the documented fixed monthly payment amount

Documentation: Obtain the following:

 Documentation to evidence receipt of the alimony child support and/or separate maintenance payment amount for the most recent six months,

AND,

 Copy of signed court order, legally binding separation agreement and/or final divorce decree verifying the payor's obligation for the previous six months, including the amount and the duration of the obligation,

AND

For child support income, proof of the ages of the children for which child support is received

Employment and Income

Alimony or child support must be verified with one of the following documents: divorce decree, separation agreement, court decree, any other legal agreement that describes the payment terms, or any applicable state law that requires such payments and specifies the conditions under which the payments must be made. For loan casefiles that are not underwritten as DU Refi Plus, the borrower must have a minimum 6-month documented history of the borrower's most recent regular and timely receipt of the full payment, and the lender must verify the income will continue for at least three years. Refer to the Fannie Mae Selling Guide for additional information.



What income documentation is required for a Loan **Product Advisor submission with Streamline Accept** documentation? The borrower has been on the job for two years receiving a salary. (Check all that apply) 1 year personal tax return 1040 1 year Form W2 10-day PCV Current y-t-d pay stub Signed 4506T 4506T Transcripts from the IRS or approved 3rd party

What income documentation is required for a Loan Product Advisor submission with Streamline Accept documentation? The borrower has been on the job for two years receiving a salary.

| 1 year persona | al tax return 1040 |
|-------------------|---|
| ☐ 1 year Form W | '2 |
| ☐ 10-day PCV | |
| ☐ Current y-t-d p | ay stub |
| ☐ Signed 4506T | |
| ☐ 4506T Transcr | ipts from the IRS or approved 3 rd party |

For Fannie Mae- The borrower has a student loan. The credit report indicates a payment. The student loan payment is based on the borrower's current income and is not amortizing the loan balance. That payment can be used to determine DTI.





For Fannie Mae- The borrower has a student loan. The credit report indicates a payment. The student loan payment is based on the borrower's current income

Student Loans

If a monthly student loan payment is provided on the credit report, the lender may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the lender may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower.

If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, the lender must determine the qualifying monthly payment using one of the options below.

- If the borrower is on an income-driven payment plan, the lender may obtain student loan documentation to verify the
 actual monthly payment is \$0. The lender may then qualify the borrower with a \$0 payment.
- For deferred loans or loans in forbearance, the lender may calculate
 - a payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or
 - a fully amortizing payment using the documented loan repayment terms.



The loan was run through DU and received an Approve/Eligible recommendation. Which of the scenarios below would require that you obtain tax returns and calculate 2106 expenses & consider them when calculating the borrower's income?

(Check all that apply.)

| ☐ The Borrower is Self-Employed and files 1065 partnership tax returns |
|---|
| ☐ The Borrower receives base and commission income and both are being used to qualify. The commission income represents 50% of the total income |
| ☐ The Borrower receives a car allowance, base income and commission income. All income is being used in the file. The commission income represents 10% of the total monthly income. |
| ☐ The Borrower is a teacher and is paid an annual salary. |

The loan was run through DU and received an Approve/Eligible recommendation. Which of the scenarios below would require that you obtain tax returns and calculate 2106 expenses & consider them when calculating the borrower's income?

(Check all that apply.) NONE Would apply

| ☐ The Borrower is Self-Employed and files 1065 Partnership tax returns |
|---|
| ☐ The Borrower receives base and commission income and both are being used to qualify. The commission income represents 50% of the total income |
| ☐ The Borrower receives a car allowance, base income and commission income. All income is being used in the file. The commission income represents 10% of the total monthly income. |
| ☐ The Borrower is a teacher and is paid an annual salary. |

Fannie Mae Announcement 2018-09



Fannie Mae

Selling Guide Announcement SEL-2018-09

December 04, 2018

Commission Income and Unreimbursed Business Expenses

We are removing the different treatment of commission income based on the percentage of employment income. Going forward all commission income will be treated the same, and individual tax returns (or tax transcripts) will no longer be required. We are updating our policy regarding commission income and unreimbursed business expenses due to recent changes made by the IRS that are effective with the reporting of 2018 federal income taxes.

Currently, unreimbursed employee expenses are reported as a deduction on the borrower's individual federal income tax return (IRS Form 2106, or IRS Form 1040, Schedule A or C). These expenses are used when calculating an automobile allowance and commission income when it is 25% or more of employment income.

As a result of the tax law changes that will prevent lenders from being able to identify unreimbursed business expenses, we are removing the requirements for IRS Form 2106, and changing the automobile allowance policy. The full amount of an automobile allowance may now be included as income and the lease or financing expenditure must be included as a debt in the calculation of the debt-to-income (DTI) ratio. (Note that a history of receipt of this income continues to be required.)

Effective Date

Lenders may implement these changes immediately and effective with the date of this announcement are no longer required to obtain tax return documentation or tax transcripts to identify unreimbursed business expenses.

The DU messages reflecting these changes will be updated in a future release. Until then, lenders may disregard the requirement to obtain IRS Form 1040 or Form 2106 for commission income and automobile allowance. Loan files that include qualifying income from an automobile allowance that is calculated following the "actual cash flow approach" must continue to include IRS Form 2106. This includes the practice of directly offsetting an automobile lease payment with an automobile allowance if the lease payment is captured as an expense on Form 2106.

licy change are listed on the Attachment. The

Summary (Form 1008). We worked jointly with anually underwritten loans. Lenders can begin

come calculation and evaluation policy. Our ment income. These tools can be used to iples as Fannie Mae's Cash Flow Analysis (Form

e is LoanBeam's FNMA SEI 1084 workbook. We it to calculate income and enter the monthly ntation and warranty enforcement relief on the

nt in DU, and

and the criteria that will result in enforcement ebsite. In addition, the Special Feature Codes list

oved vendor tool immediately

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SEL-2018-09 1 of 7



15.Employment/Income/DU

Your borrower has \$5000 in base monthly income & pays \$500 in alimony. You may use \$4500 in income & omit the alimony as debt



☐ *False*

15.Employment/Income DU

Your borrower has \$5,000 in base monthly income & pays \$500 in alimony. You may use \$4,500 in income & omit the alimony

as debt







Fannie Mae

Alimony Treatment

We are updating the Guide to allow more flexibility on the treatment of alimony paid by the borrower. Lenders will now have the option of reducing the borrower's monthly qualifying income by the amount of the monthly alimony payment in lieu of including it as a monthly payment in the calculation of the debt-to-income (DTI) ratio. Going forward, lenders may choose to use either option – reducing income or treating it as a debt – when qualifying borrowers.

When using the option of reducing the borrower's monthly qualifying income by the monthly alimony payment, enter the adjusted income figure as the income amount in DU. In this case, the lender can disregard the DU message requiring inclusion of the alimony obligation as a monthly liability that is issued whenever the borrower declares on the loan application that they are obligated to pay alimony. The lender must still obtain documentation confirming the amount of the alimony obligation.

comprehensive risk assessment of the loan. We will no longer require specific, additional compensating factors outside of DU's standard risk assessment to support a DTI ratio above 45%. Relying on the certainty of the DU risk assessment, which considers a broad range of loan characteristics and borrower credit factors, including DTI ratio, will expand access to credit for creditworthy borrowers in a responsible way. We will continue to monitor loans with high DTI ratios and may adjust princing in the future, as appropriate.

Because this policy change applies to all loans submitted to DU, reference to specific compensating factors that were used to allow DTIs greater than 45% up to 50% for HomeReady® loans (non-borrower household income and completion of housing counseling prior to the execution of the sales contract) will be removed. Note that HomeReady borrowers who meet the housing counseling requirement are still eligible for a loan-level price adjustment credit.

Note: The increase in the maximum DTI ratio does not apply to DU Refi Plus™, where higher DTIs are already permitted, manually underwritten loans, where lower DTI limits continue to apply, or Refi Plus™ loans

Effective Date

These changes will be effective for new loan casefiles submitted to DU Version 10.1 on or after the weekend of July 29



16. Liabilities for a Loan Product Advisor loan

The borrower's credit shows a student loan tradeline. The loan is currently in repayment.

The Original loan balance is \$28,000

The Current loan balance is \$29,876

The current scheduled payment is \$0 (based on current income)

The payment to be included in the Borrower's DTI as per the Freddie Mac current guidelines would be:

| | \$0 |
|--|-----|
| | |

\$280

\$298.76

\$140

3149.38

16. Liabilities for a Loan Product Advisor loan

The borrower's credit shows a student loan tradeline. The loan is currently in repayment.

The Original loan balance is \$28,000

The Current loan balance is \$29,876

The current scheduled payment is \$0 (based on current income)

The payment to be included in the Borrower's DTI as per the Freddie Mac guidelines would be:

| | <i>\$0</i> |
|---|------------|
| | \$280 |
| | \$298.76 |
| П | \$140 |

| For student loans in | Previous requirements | New requirements |
|-------------------------|---|---|
| Repayment | Use the greater of: The payment amount on the credit report 0.5% of the original loan balance 0.5% of the current loan balance | If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other file documentation, or If the monthly payment amount |
| Deferment | Use the greater of: | reported on the credit report is zero, |
| Forbearance | The payment amount on the credit report 1% of the original loan balance 1% of the outstanding balance | use 0.5% of the outstanding balance, as reported on the credit report |

\$149.38 Loan Product Advisor feedback messages will be updated by November 1, 2018 to reflect these changes.

17.Employment/Income

Freddie Mac requires borrowers to own a primary home before any rental income may be used from the subject investment property purchase?

| Irue |
|------|
|------|

17.Employment/Income

Freddie Mac requires borrowers to own a primary home before any rental income may be used from the subject investment property purchase?

☐ True

□ False

17.Employment/Income

(ii) Documentation, history and analysis

The following charts contain requirements and guidance for documentation, history and analysis. **Subject** Subject property purchase transaction Subject property refinance transaction or non-subject investment property · Property purchased in the current calendar year, or Property placed in service for use as a rental property in the current calendar year **Documentation and analysis** · A lease, if available, must be used to determine Lease must be used to determine the net rental income the net rental income. The Seller must make Purchase date or conversion date, as applicable, must be documented Streamlined Accept and Standard reasonable efforts to determine lease **Documentation Levels** availability, including review of the appraisal, comparable rent data, purchase contract, a discussion with the Borrower and/or any other applicable and reasonable method. . If a lease is not available, Forms 72 or 1000, as applicable, may be used to determine the net rental income Lease requirements Leases must be current and fully executed, with a minimum original term of one year. If the lease is documented as assigned from the property seller to the Borrower and is in the automatically renewable month-to-month phase of an original one-year (or longer) term lease, then a month-to-month term is acceptable. Maximum eligible amount of net rental . The Borrower must currently own a Primary Residence to use rental income to gualify when purchasing a new rental property in the current calendar year. In such instances, rental income can only offset the principal, interest, taxes and insurance (PITI) of income the new rental property. . If the Borrower's current Primary Residence is being converted to a rental property, rental income can only offset the PITI of that Primary Residence. . If the rental income exceeds the PITI of the new rental property or the converted Primary Residence, as applicable, the excess rental income cannot be added to the Borrower's gross monthly income to qualify, unless, the file documentation demonstrates the Borrower has a minimum of one-year investment property management experience.

5306.1: Rental income

Did you Know?

COLLATERAL & GENERAL ELIGIBILITY



The maximum acreage allowed by Fannie Mae and Freddie Mac is?

- ☐ 5 acres
- 🗌 10 acres
- ☐ 40 acres
- No published maximum

The maximum acreage allowed by Fannie Mae and Freddie Mac is?

- 5 acres
- ☐ 10 acres
- ☐ 40 acres

When appraising a property in a new condominium project for Fannie Mae or Freddie Mac, appraisers must always provide at least one comparable from within the project?

True

When appraising a property in a new condominium project for Fannie Mae or Freddie Mac, appraisers must always provide at least one comparable from within the project?

Bulletin

Comparables in New Projects or Subdivisions

Currently, we require the appraiser to select at least one closed sale from the subject subdivision or project and one sale from outside the subject subdivision or project when selecting comparables for the appraisal. (The third comparable can be from inside or outside the subdivision or project.) In new subdivisions or projects, compliance with this requirement may be difficult due to a lack of closed sales.

With this update, we will now accept two pending sales in lieu of one closed sale in the subject subdivision or project in the event closed sales are not yet available. When this flexibility is used, the appraiser must also provide at least three closed comparable sales from outside the subject subdivision or project.

We are also clarifying that the appraiser may use comparable sales that are older than 12 months as long as the appraiser can justify and support such use in the appraisal report.

Guide impact: Section 5601.12

Freddie Mac definition of a No Cash-Out Refinance is lenders can pay off a first mortgage lien, a purchase money second mortgage lien and:

| ☐ lessor of 2% of the mortgage amount or \$2000 cash disbursement is allowed |
|---|
| ☐ the greater of 1% of the mortgage amount or \$2000 cash disbursement is allowed |
| $\hfill \square$ the lessor of 1% of the mortgage amount or \$2000 cash disbursement is allowed |
| ☐ No cash out is allowed |

Freddie Mac definition of a No Cash-Out Refinance is lenders can pay off a first m

purchase money second morto

Bulletin

| aı | August 29, 2018 2018-13 | | |
|-----------|--|--|--|
| | Cash back requirements for "no cash-out" refinance Mortgages | | |
| | Effective for Mortgages with Settlement Dates on and after October 27, 2018; but Sellers may implement immediately | | |
| dis | Previously, for a "no cash-out" refinance Mortgage, proceeds could be used to disburse cash to the Borrower (or other payee) not to exceed 2% of the new refinance Mortgage, or \$2,000, whichever was less. | | |
| LI dis | To provide flexibility in the disbursement of cash back to the Borrower, we are revising our requirements to permit cash back up to the greater of 1% of the Mortgage amount or \$2,000. | | |
| _ | Guide impacts: Sections 4301.4, 4602.5 and 5703.4 | | |
| Ш | the lessor of 1% of the mortgage amount or \$2000 cash | | |
| di | bursement is allowed | | |
| | No cash out is allowed | | |

What is the maximum number of financed properties a borrower can own/be obligated on when the subject transaction is <u>second home</u> as per Fannie Mae guidelines?

| | 4 |
|--|---|
|--|---|







What is the maximum number of financed properties a borrower can own/be obligated on when the subject transaction is second home as per Fannie Mae guidelines?



Freddie Mac also allows 10.

4201.15: Second home Mortgages (08/20/18)

Freddie Mac will purchase Mortgages secured by second homes under the terms of the Purchase Documents and this section.

(b) Special underwriting requirements

Each second home Mortgage must meet the following requirements:

- (i) For newly constructed homes that are purchase transactions, the Borrower may not be affiliated with or related to the builder, developer or the property seller
- (ii) Each Borrower individually and all Borrowers collectively must not be obligated on (e.g., Notes, land contracts and/or any other debt or obligation) more than 10 1- to 4-unit financed properties, including the subject property and the Borrower's Primary Residence, provided that when the number of 1- to 4-unit financed properties (including the subject property and the Borrower's Primary Residence) is greater than six, the Mortgage must:
 - Be a Loan Product Advisor® Mortgage with a Risk Class of Accept, and
 - Have a minimum Indicator Score of 720

Mortgages secured by second homes and Investment Properties require the following additional reserves:

| Number of financed managing | Additional required reserves for second home or Investment Property Mortgages | | |
|--|---|---------------------------------|--|
| Number of financed properties | Loan Product Advisor Mortgages | Manually Underwritten Mortgages | |
| When each Borrower individually, and all Borrowers collectively, are obligated on one to six financed properties, including the subject property and the Borrower's Primary Residence Two months of the monthly payment amount (as described in Section 550 and/or 1- to 4-unit Investment Property that is financed and on which the | | | |
| When each Borrower individually, and all Borrowers collectively, are obligated on seven to 10 financed properties, including the subject property and the Borrower's Primary Residence | Eight months of the monthly payment amount (as described in Section 5501.2(a)) on each additional second home and/or 1- to 4-unit Investment Property that is financed and on which the Borrower is obligated | Not permitted | |

For Loan Product Advisor Mortgages, the additional required reserves stated in the chart above are included in the amount of reserves required to be verified on the Feedback Certificate.



22.MISC Eligibility

What is the minimum number of reserves required for Loan Product Advisor for a 2-unit owner occupied property when you are NOT using any rental income to qualify?

- 2 months
- \square 6 months
- \square 12 months
- No minimum is required

22.MISC Eligibility

What is the minimum number of reserves required for Loan Product Advisor for a 2-unit owner occupied property when you are NOT using any rental income to qualify?

| 2 months | | limum required reserves Loan Product Advisor [®] Mortgages, the Seller must verify all reserves required by Loan Product Advisor, as stated on the Feedback Certificate. Manually Underwritten Mortgages, the verified reserves must equal or exceed the following reserves requirements: | |
|-------------|----------------------------------|--|--|
| ☐ 6 months | 7 1 1 7 | Required reserves None | |
| | Primary Residence - 2- to 4-unit | Six months for the subject property | |
| ☐ 12 months | | | |

 \square No minimum is required

23 MISC MI

What is the "seasoning requirement" for borrower initiated cancellation using original value? Assume property is one unit owner occupied and closed after July 29, 1999.

- 2 to 5 years if LTV 75% or less
- ☐ At least 5 years if LTV is 80% or less
- ☐ No seasoning requirement

23.MISC MI

What is the "seasoning requirement" for borrower initiated cancellation using original value? Assume property is one unit owner occupied and closed after July 29, 1999.

- ☐ 2 to 5 years if LTV 75% or less
- ☐ At least 5 years if LTV is 80% or less.

| ORIGINAL VALUE | | |
|---|--|--|
| Borrower Initiated Cancellation Guidelines | Fannie Mae Cancellation Date | Freddie Mac Cancellation Point |
| Mortgages Closed on or After 07/29/99: • 1 Family Principal Residence | The date the mortgage balance is first scheduled to reach 80% of the original value or actually reaches 80% of the original value. | LTV ratio, which may be based on the amortization schedule or actual payments collected, must be 80% or less of the original value. |

24 MISC MI

Excluding Automatic Termination (because that is automatic), to request borrower paid MI to be cancelled, borrowers must send a written request to the servicer?

True

☐ False

24 MISC MI

Excluding Automatic Termination, to request borrower paid MI to be cancelled (because that is automatic), borrowers must send a written request to the servicer?

True

False-both Fannie and Freddie changed policies in 2018/2019 to allow for verbal requests

25. MISC

What does URLA stand for and when is it mandatory for lenders? (must get both parts to get credit)

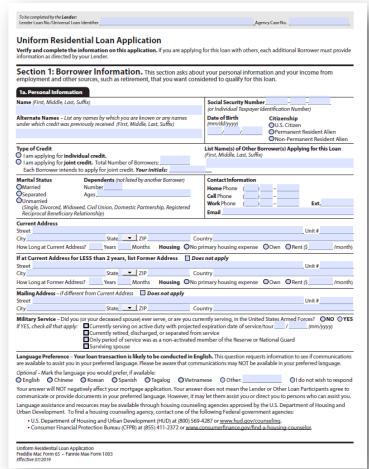
25. MISC

What does URLA stand for and when is it mandatory for lenders? (must get both parts to

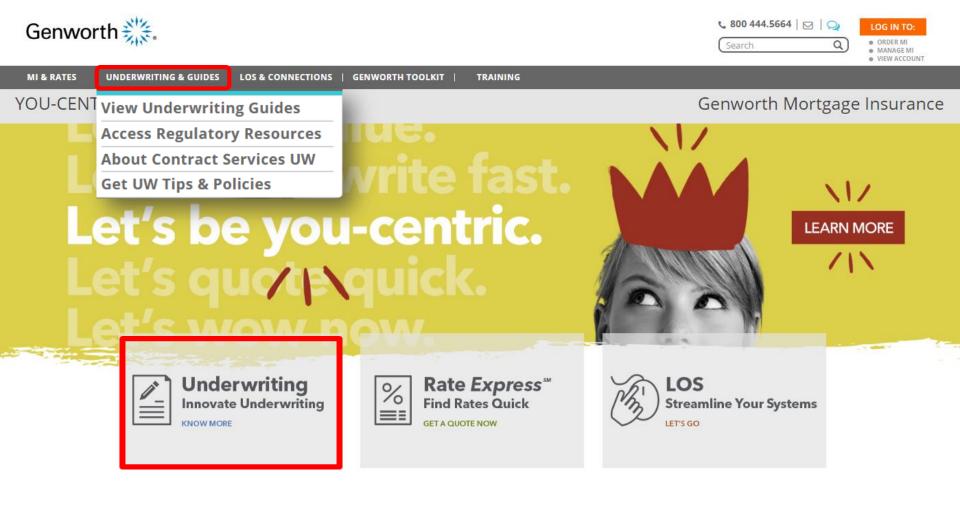
get credit)

Uniform Residential Loan Application (1003)

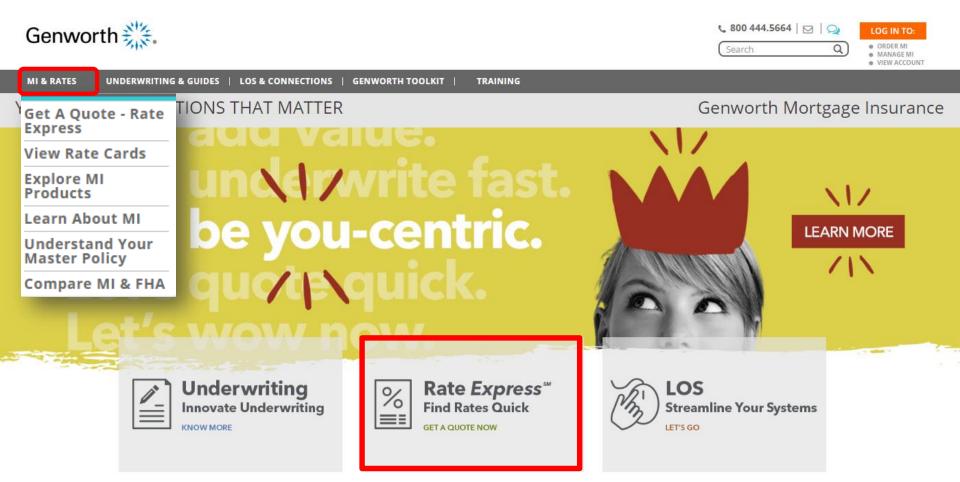
Mandatory Use February 1, 2020



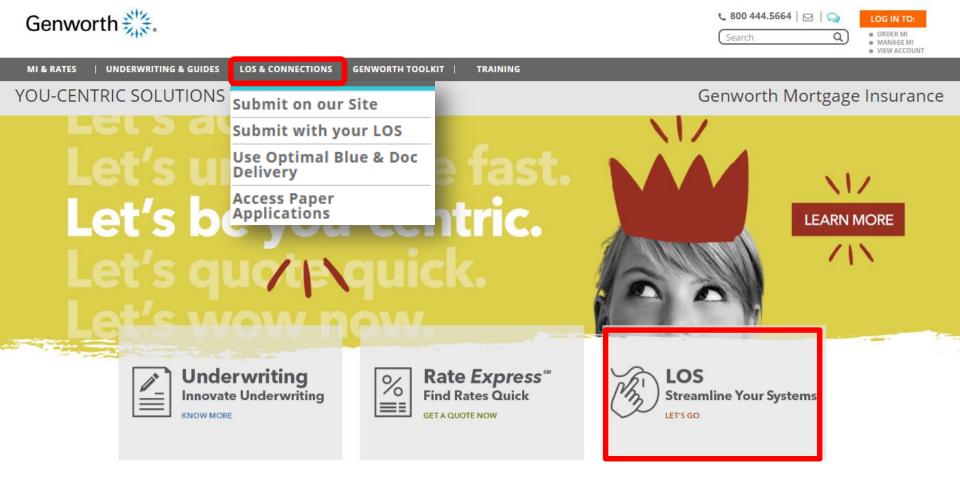
Genworth Underwriting Guidelines



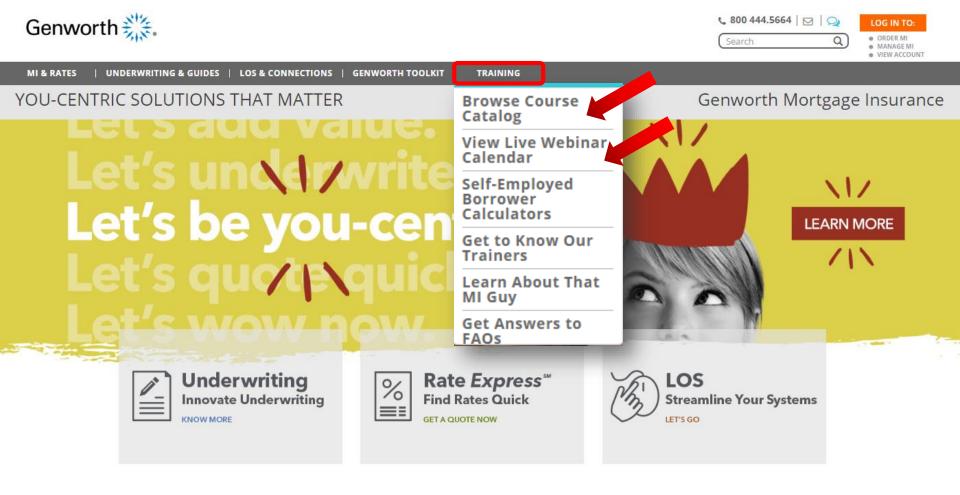
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LOS Connections



Training Tools and Information



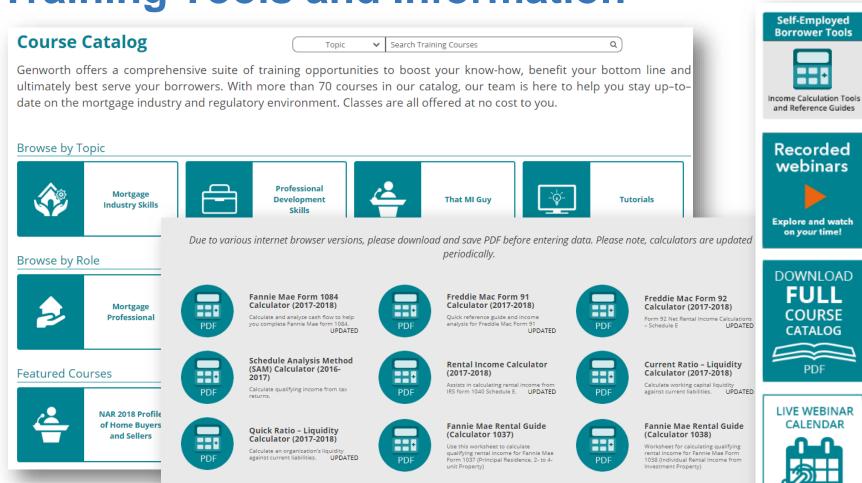
Training Tools and Information

Fannie Mae Rental Guide

Calculate qualifying rental income for Fannie Mae Form 1039 (Business Rental

Income from Investment Property)

(Calculator 1039)





Fannie Mae Comparative

Analysis Form 1088 (2017-

Calculate increases/decreases in gross

UPDATED

income, expenses and taxable inc

2018)

Fannie Mae Form 1088

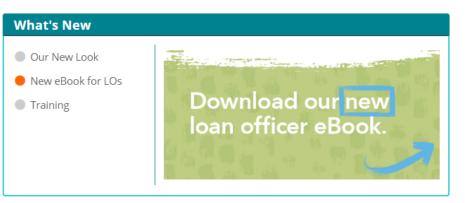
Use this quick reference guide for

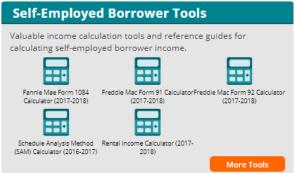
Fannie Mae's Comparative Analysis

Form (Form 1088)

Cheat Sheet (2017-2018)

Additional MI Site Information









Master Policy Agreement

Partner with us. A master policy agreement is the first step to submitting MI loans to Genworth.

GET STARTED

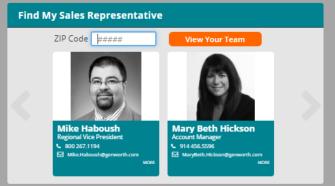


Contract Services Agreement

Offset fixed underwriting costs as you adjust to the latest industry demands! Request a contract services underwriting agreement.

GET STARTED





Your Genworth Resources

- > ActionCenter®: 800 444.5664
- Your Local Genworth Regional Underwriter
- Your Genworth Sales Representative



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