



Fannie Mae™

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# **Serving Today's Housing Market**

HousingIowa Conference

September 8, 2016





## Agenda

- Hear what's new
- Learn more about our affordable lending products
- View tools & resources to reach more home buyers
- Get answers to your questions



## Hear what's new from Fannie Mae

- Vastly different and stronger company than we were just a few years ago
- We are working with our partners to drive transformative changes that expand opportunities for our customers, homeowners, and renters
- We are making continuous enhancements to our full range of mortgage products, eligibility options, and solutions to help lenders meet borrowers' needs
- We're focused on enhancing reliable, end-to-end solutions that deliver improved loan quality, business efficiency, and profitability

**We have fundamentally changed the way we do business in ways that make Fannie Mae and housing finance stronger.**



## Recent Policy Changes

### *Selling Guide Announcement SEL-2016-06*

- **HomeReady®/HFA Preferred™ Product Enhancements:** allowing the occupant borrower on loan to own other residential properties

### *Selling Guide Announcement SEL-2016-05*

- **Business Income:** eliminated the requirement for the lender to confirm the borrower can document access to income, such as a partnership agreement or corporate resolution. Effective Date - Lenders may implement these policy updates immediately, but must do so for applications dated on and after October 1, 2016.
- **Restructured Loan Policy:** eliminated our policy on restructured mortgages. Lenders can now rely upon existing policy when determining whether the loan is eligible for delivery under a refinance transaction or as a modified mortgage loan. Effective Date – effective immediately.

### *Selling Guide Announcement SEL-2016-03*

- **HomeStyle Energy:** Borrowers will be able to finance energy-efficient upgrades when purchasing or refinancing a home, eliminating the need for a subordinate lien, home equity line of credit, Property Assessed Clean Energy (PACE) loan, or unsecured loan.
- **Multiple Financed Properties:** automating DU to ensure compliance, while retaining loan-level restrictions to manage risk, where warranted.



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# Making Mortgage Credit

## Accessible

Helping creditworthy home buyers qualify for a mortgage

## Affordable

Limiting the up-front and monthly cost of mortgages

## Sustainable

Supporting the long term success of home buyers



# Affordable Lending Mortgage Products

## Explore your options

- Available affordable options - **HFA Preferred™** and **HFA Preferred Risk Sharing\*™**

## High-level benefits

- Low-down payment - minimum down payment of 3%
- Re-tooled to be cheaper and easier to use
- Allows for cash gifts for down payments
- Underwriting and eligibility guidelines are straight-forward
- Only 30-year fixed rate mortgages\* are allowed - primary residence
- Borrowers are required to verify income and employment; the program can be used to refinance a home
- Reduced private mortgage insurance\* (PMI) requirements

*\*Private Mortgage Insurance is not required with HFA Preferred Risk Sharing™*

Products and solutions  
to help serve the  
diverse needs of  
today's home buyers.





## HFA Preferred™\*

Servicing  
Released

HFA Preferred™ is Fannie Mae's affordable lending product available exclusively to eligible HFAs to serve low- to moderate-income borrowers. Underwriting flexibilities and features include:

- **Loan-to-value (LTV) ratio up to 97%**
- **Reduced MI coverage** with no loan-level price adjustment (LLPA)
- **Borrower income limits set by the HFA**
- **Home buyer education** requirements established by HFA
- **1 unit principal residence**, including eligible condos



\*HFA Preferred™ products are variances to our HomeReady® product, refer to the HomeReady® sections of the Selling Guide (refer to section B5-6) when reviewing Fannie Mae's eligibility and underwriting requirements.



# Conventional Mortgage Products: Borrower Benefits



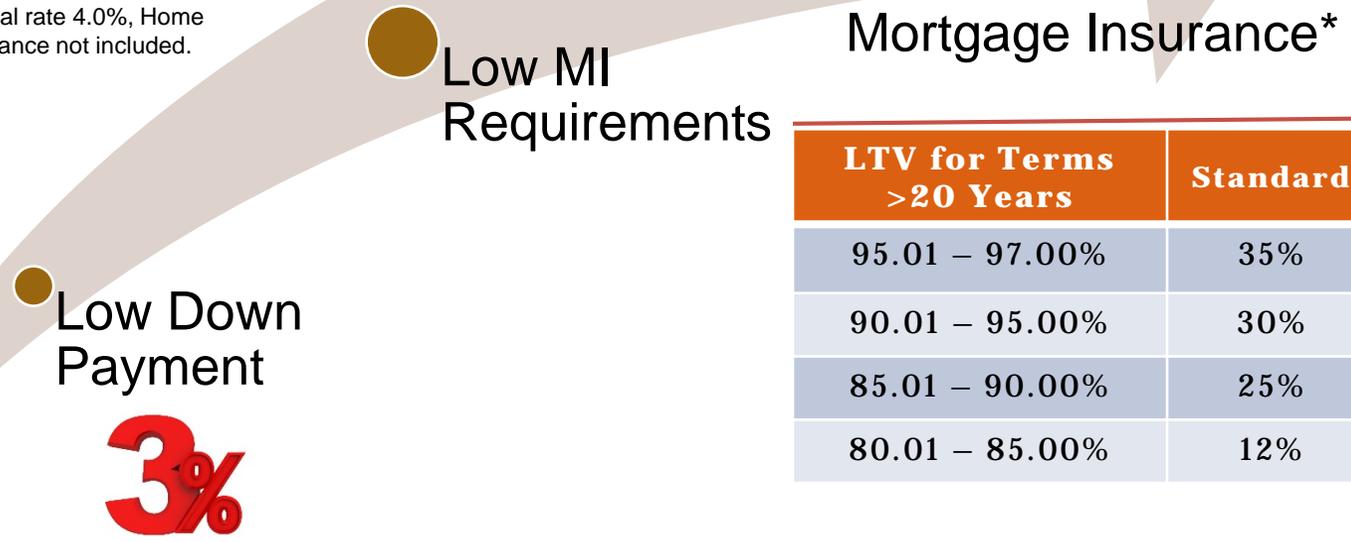
Example/Assumptions: \$130,000 Purchase Price, 680 FICO, FHA rate 3.5%, Conventional rate 4.0%, Home appreciation 3%; taxes and insurance not included.

### Estimated savings (using HFA Preferred product):

- \$63.00 per month (using financed single premium)
- \$756.00 annually
- \$3,780 savings for 5 years

### Borrower Benefits

- Lower monthly payment
- Monthly/Annually/Yearly payment savings
- MI may be cancelled after loan reaches 78% LTV



LTV for Terms >20 Years	Standard	HomeReady	HFA Preferred
95.01 – 97.00%	35%	25%	18%
90.01 – 95.00%	30%	25%	16%
85.01 – 90.00%	25%	25%	12%
80.01 – 85.00%	12%	12%	6%



# A Closer Look – Product Comparison

	HFA Preferred™	HomeReady®
<b>Loan-Level Price Adjustments (LLPAs)</b>	<ul style="list-style-type: none"> <li>• No standard LLPAs</li> <li>• No LLPA for minimum MI coverage</li> </ul>	<ul style="list-style-type: none"> <li>• Standard risk-based LLPAs waived with an LTV above 80% and a representative credit score equal to or greater than 680;</li> <li>• For loans outside of these parameters, standard LLPAs apply (per the LLPA matrix) with a cap of 1.50%.</li> <li>• The Minimum MI Coverage Option LLPA is not waived or considered toward the cap if that option is used.</li> </ul>
<b>Income Limits</b>	<ul style="list-style-type: none"> <li>• Higher HFA Limits</li> </ul>	<ul style="list-style-type: none"> <li>• 100% of area median income (no limit in low-income census tracts)</li> </ul>
<b>Home Buyer Education</b>	<ul style="list-style-type: none"> <li>• HFA requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Required on all loans</li> </ul>
<b>MI Coverage</b>	<ul style="list-style-type: none"> <li>• Reduced MI</li> </ul>	<ul style="list-style-type: none"> <li>• Standard coverage (capped at 25% for LTVs &gt;90%)</li> </ul>
<b>Ability to Repay</b>	<ul style="list-style-type: none"> <li>• Exempt (5% points and fees)</li> </ul>	<ul style="list-style-type: none"> <li>• Non-exempt (3% points and fees)</li> </ul>



# Success Stories



This couple, both employed in customer service, had some debt and generally paid their obligations on time. They were able to purchase a home for their family with an HFA Preferred loan.

Annual Income **\$65,000**

Debts **\$\$**

Purchase Price **\$135k**

**97%**

LTV

HFA Preferred™  
Mortgage



This single father struggled with high student loan debt. With a steady job at a local university, he utilized HFA Preferred and secured a Community Seconds to help with his down payment.

Annual Income **\$36,000**

Debts **\$\$\$\$**

Purchase Price **\$125k**

**97%**

LTV

HFA Preferred™  
Mortgage



Young single woman, had struggled to pay some bills in the past and was carrying a balance on her credit card as well as a car loan. She had built up almost \$24,000 in savings before buying a home.

Annual Income **\$40,700**

Debts **\$\$\$**

Purchase Price **\$94k**

**95%**

LTV

HFA Preferred™  
Mortgage



This nurse had student and car loans, and medical debts in the past. Working with a Housing Finance Agency, he was able to purchase a home with just 3% down.

Annual Income **\$47,000**

Debts **\$\$\$**

Purchase Price **\$128k**

**97%**

LTV

HFA Preferred™  
Mortgage



## Additional SF Mortgage Products

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

- **HomeStyle® Energy** – Feature can be used with most standard products such as HomeReady for transactions that include funding for energy improvements to the existing financed property, up to 15 percent of the as-completed appraised value
- **Community Seconds®** – is a subordinate mortgage that is used in connection with a first mortgage delivered to Fannie Mae. Community Seconds permit lenders to leverage limited public, nonprofit, and employer funds to finance a down payment and/or closing costs, or to subsidize the sales price
- **Government Guaranteed Rural & Native American Loans** – HUD-184 and RD-502 loans must comply with the requirements of the respective government agency, as well as Fannie Mae’s requirements for government mortgage loans
- **Manufactured Housing (MH)** – Fannie Mae invests in manufactured housing loans to serve its mission of expanding affordable housing by providing liquidity to a market segment that is crucial to many Americans





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**Power your entire mortgage business—  
from underwriting to delivery to  
servicing.**

**Increase Certainty · Increase Efficiency · Increase Opportunity**



# **Fannie Mae Technology Solutions – Your business, better.**





**Automated  
Underwriting**

**Improve  
Data Quality**

**Pricing &  
Execution**

**Deliver**

**Service**

## **Underwrite Quality Loans Efficiently**

**Desktop  
Originator<sup>®</sup> /  
Desktop  
Underwriter<sup>®</sup>**

**DO<sup>®</sup> and DU<sup>®</sup> - Leading automated  
underwriting system/underwrite  
quality loans efficiently**



# DU Version 10.0

**Release Date:** Weekend of Sept. 24<sup>th</sup>

## DU Is Getting Even Better

- A new scorecard that better predicts risk
- Automates underwriting of loans for borrowers with no traditional credit
- Automates the underwriting for borrowers with multiple financed properties



# Enhanced Credit Risk Assessment

We regularly review the DU risk assessment to ensure our underwriting and eligibility criteria provide greater clarity and certainty

- A risk assessment that will continue to consider the likelihood of a loan becoming delinquent based on the factors listed below
- There is no expected impact on the percent of loans that receive an Approve/Eligible recommendation

Non-credit risk factors	Credit risk factors
<ul style="list-style-type: none"><li>• Equity and loan-to-value ratio</li><li>• Liquid reserves</li><li>• Debt-to-income ratio</li><li>• Loan purpose</li><li>• Loan type</li><li>• Loan term</li><li>• Property type</li><li>• Number of borrowers</li><li>• Self-employed borrowers</li><li>• Occupancy</li></ul>	<ul style="list-style-type: none"><li>• Credit history (age of accounts)</li><li>• Utilization and payment history (using trended credit)</li><li>• Recency and severity of accounts with late payments</li><li>• Public records, foreclosures, deed-in-lieu of foreclosures, preforeclosure sales, mortgage charge-offs, and collection accounts</li><li>• Inquiries</li></ul>

Items in blue are new in DU Version 10.0



# What's New: Trended Data – a Powerful Predictor of Risk

Use of trended data in the DU risk assessment allows a smarter, more thorough analysis of the borrower's credit history

Enhancement	Impact
<ul style="list-style-type: none"><li>▪ First introduction of new credit data into the risk assessment for mortgages in the last quarter of a century</li><li>▪ Shows a monthly history of some key factors for “revolving accounts,” basically credit cards. We can see a 24 month history of several factors, including:<ul style="list-style-type: none"><li>▪ Balance = current balance amount</li><li>▪ Scheduled Payment = scheduled payment amount</li><li>▪ Actual Payment = actual payment amount</li></ul></li><li>▪ The risk assessment will benefit borrowers who regularly pay off their revolving debt</li><li>▪ Since it looks at a trend, borrowers can make immediate improvements to their credit assessment by making higher payments on their credit cards</li></ul>	<ul style="list-style-type: none"><li>• The updated risk assessment will benefit borrowers who regularly pay off their revolving debt.</li><li>• The trended data will appear on the printable credit report (.rpt or .txt)</li><li>• The trended data will not be included in the credit .dat file. No changes were made to the codes, file format, and structure of the .dat</li><li>• Trended data will not be used for manual underwriting or for loans underwritten outside of DU</li><li>• For loans underwritten outside of DU, lenders do not need to consider trended data in the underwriting and eligibility criteria</li><li>• For loan casefiles underwritten through DU, Fannie Mae does not expect lenders to analyze the trended data provided on the printed credit report</li><li>• The process for ordering and reissuing credit reports for use in DU does not change</li></ul>



# What's New: Underwriting for Borrowers with No Traditional Credit

Automates the policies for underwriting borrowers with no traditional credit

Enhancement	Impact
<ul style="list-style-type: none"><li>Implementation of automated solution for borrowers with no traditional credit (no credit score)</li></ul>	<ul style="list-style-type: none"><li>You can leverage the power of DU to underwrite loans in which no borrowers have a credit score</li><li>When a DU loan casefile is submitted and the credit report(s) show that no borrowers on the loan casefile have a credit score, DU will underwrite the loan and provide a recommendation</li><li>DU will no longer issue an Out of Scope recommendation when no borrowers on the loan casefile have a credit score unless the specific eligibility guidelines are not met (one-unit, owner occupied, purchase and LCOR, etc.)</li><li>Underwriting guidelines will include the verification of at least two non-traditional credit sources, one of which must be housing-related</li></ul>

**You can take borrowers without a credit score down an automated underwriting path toward homeownership!**



## Identify Data Issues Early

Improve data quality and avoid costly risks

Accurate, streamlined appraisal quality control/over 1.2 million appraisals reviewed





# EarlyCheck™

## Integrated Solution to Improve Data Quality

*EarlyCheck provides access to Fannie Mae delivery edits at any point in the business process, assisting lenders in identifying and correcting potential eligibility and/or data quality issues prior to loan delivery.*

### Benefits and Features

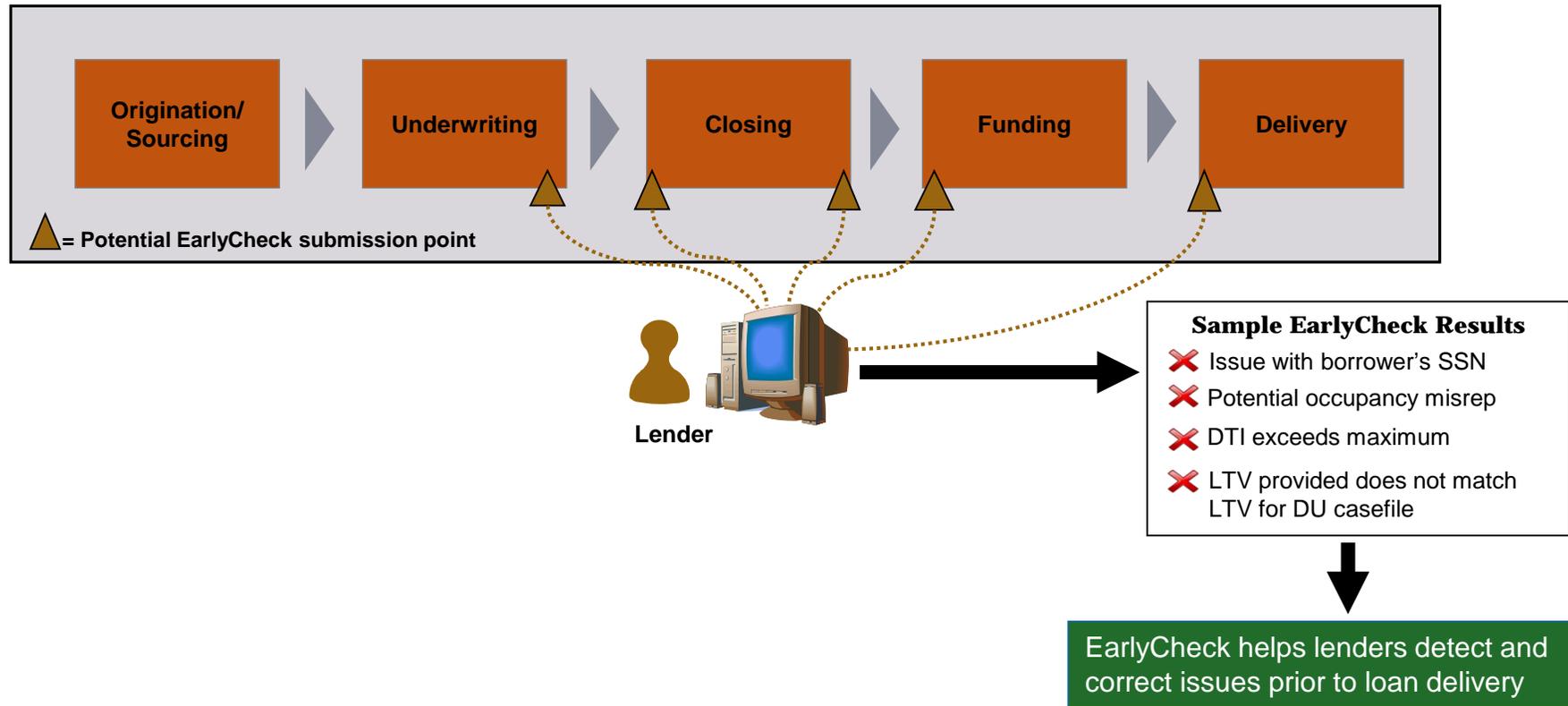
#### *Enabling Process Efficiency and Reduced Funding Delays*

- Identify and correct issues prior to loan closing/sale – provides **greater certainty** that a loan can be delivered to Fannie Mae
- Fewer delivery stops and corresponding financial/operational impacts
- Less manual error resolution during delivery process and post-purchase
- Helps identify potential data issues *early in the lender's business process*, so they can be remedied more effectively – includes comparisons of data submitted to EarlyCheck against data submitted in Desktop Underwriter and the Uniform Collateral Data Portal® (UCDP®)
- Access to Collateral Underwriter risk score, flags, and messages, providing lenders with a more holistic view of the loan
- Feedback helps you to continually enhance QC processes
- **Seamless integration** capabilities offer real-time feedback



# Access Points

EarlyCheck can be used at many points in your business process:





# Collateral Underwriter® Redesign – Making CU Even Easier to Use

Collateral Underwriter® (CU®), the most powerful appraisal risk assessment application available for lenders, is getting a makeover – we're making it even easier to use.

## The New CU – Coming Q4 2016

- Intuitive layout and navigation
- One-page overview with clear display of CU feedback, including risk score, flags, and messages
- Streamlined Comp Review layout of appraiser and model comparable sales
- Easy-to-read Adjustment Analysis display
- Enhanced search functionality
- Screen tool tips that provide additional help

The screenshot displays the Fannie Mae Collateral Underwriter 2.0 interface. At the top, the Fannie Mae logo and 'Collateral Underwriter 2.0' are visible. The user 'Jonathan Doe' is logged in. The main header shows the Loan Number '75673878' and Doc File ID 'CDA9871236'. Below this is a navigation bar with tabs for Overview (3), Comp Review (3), Adjustments, Sales History, and Market Trends. The 'Overview' tab is active, showing a property photo and address: '512 Street Ave N, Oakdale, MN 55128'. A table of key data includes: Doc File ID 'CDA9871237', Loan Number '75673878', Appraised Value '\$350,500', Property Type 'Single-family', Appraisal Purpose 'Purchase', Appraiser 'Appraiser-98765', Appraisal Date '11-20-2015', Lender 'ASDFG', UCDP Status 'Successful', and Designated Date '09-23-2015'. Below the table are four summary cards: Risk Score (3), Overvaluation (N/A), Property Eligibility (N/A), and Appraisal Quality (HEIGHTENED RISK). The bottom section shows 'Appraiser Comps' (1), 'Data Discrepancies' (1), and 'Adjustments' (N/A). A 'Reconciliation' section is also visible.

Preview of new CU design – final version may differ slightly.



## UCDP – New Appraisal-Sharing Functionality

Enables correspondent lenders to easily share appraisal information with their aggregators within the UCDP. Aggregators will have access to real-time results for their correspondents' appraisals, providing the confidence that they always have the most up- to-date appraisal information when selling a loan to the GSEs.

### **Correspondent Functionality:**

- Ability to share individual appraisals with specific aggregators.
- Free and unlimited access to the CU user interface for improved ability to resolve appraisal issues and avoid delays caused by investor review findings.

### **Aggregator Functionality:**

- Ability to retrieve a list of correspondent-shared appraisals.
- Ability to regularly retrieve the Status, Findings, and Submission Summary Report for correspondent-shared appraisals.
- Ability to retrieve the embedded PDF file for correspondent-shared appraisals via UCDP.
- Free and unlimited access to the CU user interface to provide transparency into the appraisal risks identified by CU and the data that supports the findings for improved risk management.



# Reliable, End-to-End Technology Solutions



**Our Technology Solutions deliver improved loan quality, business efficiency, and profitability.**

**Just one more way Fannie Mae is helping to make business simpler, more transparent, and less risky.**

**Your business, better.**



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# **Tools and resources to help you expand access to credit and reach more borrowers**

**Support Sustainable Homeownership ▪ Empower Consumers ▪  
Inform Prospective Home Buyers**



# Have You Seen the Fannie Mae Marketing Center?

- **Self-service consumer** and **realtor marketing materials** available
- Reach out to creditworthy home buyers and educate them about the availability of low down payment options
- **Customizable** – add your photo and contact information and include your company's logo and product name(s)
- Flyers and frequently asked questions resource materials **available in both English and Spanish translations**
- <https://www.fanniemae.com/singlefamily/marketing-center>

The screenshot shows the Fannie Mae Marketing Center website. At the top, there is a navigation bar with the Fannie Mae logo and a search bar. Below the navigation bar, there are several menu items: SINGLE-FAMILY, ORIGINATING & UNDERWRITING, PRICING & EXECUTION, DELIVERING, SERVICING, TRAINING, and TECHNOLOGY SOLUTIONS. The main content area features a large blue banner with the text "Visit Our Marketing Center" and "Customize professionally designed materials to support your outreach efforts". Below the banner, there is a section titled "Visit the Fannie Mae Marketing Center" with a small image of a doormat and boots. To the right of this section, there is a heading "Customize, Download, and Go!" followed by a paragraph explaining the tool and a list of customization options.

**Visit Our Marketing Center**  
Customize professionally designed materials to support your outreach efforts

**Visit the Fannie Mae Marketing Center**

**Customize, Download, and Go!**

The Fannie Mae Marketing Center is a free online tool lenders and other housing professionals can use to access and customize a variety of marketing and informational materials.

Use the Marketing Center to support your purchase and refinance-related outreach to consumers and housing partners. You'll find compelling pieces promoting our HomeReady® mortgage, HARP, and more—with additional materials coming soon!

And our flexible customization options let you:

- Showcase your logos
- Add your contact information
- Customize colors to match your branding
- Choose images from our photo gallery
- Use your own product names, if applicable



# Spanish Language Resources

## Spanish Language Resources for Lenders

Use these resources to better support your Spanish speaking customers.



- **Online resource for lenders** and HFAs to help support their Spanish-speaking borrowers
- **Spanish and English versions of many loan origination documents** side-by-side
  - Loan application
  - Loan estimate
  - Verification forms
  - Closing disclosure
  - Security instruments
  - Links to outreach materials in Spanish
- **Customizable** sample notice to borrowers to help consumers understand that the mortgage transaction will be conducted in English

For more details click here: <https://www.fanniemae.com/singlefamily/spanish-resources-for-lenders>



# HOME by Fannie Mae™



**HOME** by Fannie Mae™

Share this resource with buyers to help them learn about the responsibilities of homeownership.

The app supports access to homeownership in partnership with:

- ▶ Lenders
- ▶ Industry partners
- ▶ Real estate professionals
- ▶ Housing counselors
- ▶ Housing finance agencies & more

Launched July 2, 2015

Welcome to HOME by Fannie Mae™!

YOU COMPLETED

0 of 18 steps in your journey

START

Explore Calculators

READ & WATCH

START

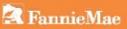
START

The HOME by Fannie Mae app guides prospective homebuyers through their journey to homeownership with interactive features that include:

- ✔ Dashboard and personal checklist to track the homebuying process
- 📍 Housing and Urban Development counselor locator tool
- 📊 Financial calculators to estimate affordability, payments, and savings
- 📖 Articles, videos, and more

Available on iOS & Android platforms

Visit [KnowYourOptions.com/homeapp](http://KnowYourOptions.com/homeapp) for more information.  
Questions? Email [homeapp\\_feedback@fanniemae.com](mailto:homeapp_feedback@fanniemae.com)

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- New Fannie Mae consumer app created to support access to homeownership
- Informs prospective home buyers on the home buying process
- App includes dashboards, checklists, financial calculators, videos and more
- Free interactive app
- Learn more, [view video](#)





## Contact Us – We're here to help!



Jessica Wright, Fannie Mae HFA Account Representative

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Email: [jessica\\_wright@fanniemae.com](mailto:jessica_wright@fanniemae.com)

### *Recognize the power of the Tweet!*

If you enjoyed our training make sure to tweet about it.  
Remember to tag us (@) and use our hashtags (#)  
below:

@FannieMae  
#HFAPreferred

*Thank you  
for your  
attendance!*