

# Representations and Warranties Framework Summary

Fannie Mae is partnering with lenders to increase certainty through a shared commitment to data quality and reducing repurchase risk. This document summarizes the representations and warranties (R&W) framework effective from 2013–forward to provide certainty about lenders’ rights and obligations.

## R&W Relief Criteria Summary\*

Relief Criteria	F&W Framework Version 1	F&W Framework Version 2
<b>Reference</b>	<i>Selling Guide</i> <a href="#">A2-3.2-02</a>	<i>Selling Guide</i> <a href="#">A2-3.2-02</a>
<b>Effective date – whole loans acquired:</b>	January 1, 2013 through June 30, 2014	On and after July 1, 2014
<b>Effective date – loans delivered into MBS pools:</b>	With pool issue dates on and after January 1, 2013, but before July 1, 2014	With pool issue dates on and after July 1, 2014
<b>Required consecutive payments</b>	36	36
<b>Delinquencies permitted to be eligible for relief after 36 months</b>	0 x 30	2 x 30; 0 x 60 and 36th monthly payment not delinquent
<b>Loan in forbearance if impacted by certain natural disasters occurring on or after August 25, 2017</b> <b>Review details in the <i>Selling Guide</i> <a href="#">A2-3.2-02</a></b>	Eligible for relief based on payment history on the later of: <ul style="list-style-type: none"> <li>▪ the applicable payment history period end date as required under Version 1 or 2 of the framework; or</li> <li>▪ the date the loan transitions out of disaster-related forbearance and is brought current via a reinstatement, repayment plan, or permanent modification.</li> </ul>	
<b>Opportunity to re-establish payment history after delinquencies</b>	Yes, as of 60 <sup>th</sup> month; no more than 2 x 30 late pays in first 36 months, and 60 <sup>th</sup> month not delinquent	Not applicable
<b>Eligible for relief after satisfactory conclusion of full-file QC review</b>	No	Yes

## Tracking R&W Obligations Relief

Fannie Mae provides lender reports to help track loans on which the R&W obligations have reached enforcement relief (sunset) (except for the life-of-loan exclusions). The monthly R&W Relief reports are available to Fannie Mae Sellers in [Fannie Mae Connect](#).



## Remedies Framework (*Selling Guide* [D2-1-03](#))

Under the remedies framework, effective January 1, 2016, after completing a full-file quality control review, Fannie Mae categorizes defects in one of three ways:

1. **Finding** – Formerly “Eligible with Moderate Finding” – This category may require a data change, or may be informational only, but does not require a pricing adjustment.
2. **Price-Adjusted Loan (PAL)** – This category will apply to loans that would otherwise be eligible if delivered with correct Loan-Level Price Adjustments. This category is only applicable if there are no significant defects on the loan, and the adjustment process will be the same as our current Data Validation Center data and pricing change process.
3. **Significant Defect** – This is the only defect category that can lead to a repurchase request. We summarized our *Selling Guide* requirements in eight clearly described criteria and have provided examples.

At any time during the appeals process, the lender will have the right to correct a significant defect in the specified timeframe and in the manner required by the Lender Contract, such as by providing additional or missing documentation. Other available remedies may include a pricing adjustment or repurchase alternatives.

**Independent Dispute Resolution:** Offers a neutral third party to resolve repurchase requests due to a loan-level selling breach that remain unresolved after the appeal and escalation processes have been exhausted; available for loans purchased by Fannie Mae on and after January 1, 2016 (see *Selling Guide* [A2-3.2-03](#)).

## Lender Correction of Defects

A lender may correct underwriting and origination defects in the time and manner specified in the Lender Contract.

## Post-Relief Loan File and Appraisal Reviews (*Selling Guide* [A2-3.2-02](#))

- Fannie Mae will not issue a repurchase request or seek an alternative remedy on an underwriting deficiency (loan-to-value (LTV) ratio or debt-to-income ratio, for example) that is discovered after the loan has obtained R&W relief, except in the case of a life-of-loan exclusion.
- If, after a loan has obtained relief under the framework, Fannie Mae reviews an appraisal and determines that the property value used to calculate the LTV ratio was incorrect at the time of delivery, Fannie Mae will not issue a repurchase request based solely on the fact that the newly calculated LTV is over 80% and the loan did not have credit enhancement in place when it was delivered to Fannie Mae.

## Life-of-Loan Summary (*Selling Guide* [A2-2.1-07](#))

Under the R&W framework, lenders are relieved of certain selling R&Ws set forth in Subparts B1–B5 of the *Selling Guide* that relate to the underwriting of the borrower, the property, or the project for loans delivered to Fannie Mae that have achieved an acceptable payment history or a satisfactory full-file quality control review by Fannie Mae. Under the framework, lenders are not relieved from Fannie Mae’s enforcement of its representations and warranties with respect to the life-of-loan R&Ws, even if the issues are referenced in Subparts B1-B5 of the *Selling Guide*. Lenders may appeal repurchase requests issued for breaches of life-of-loan representations and warranties (in the repurchase rebuttal process).



Life-of-Loan R&W Category	Description (updated Nov. 2017) See <i>Selling Guide</i> <a href="#">A2-2.1-07</a> for details
<b>Charter Matters</b>	Loans that violate Fannie Mae’s Charter remain ineligible for R&W relief.
<b>Misstatements, Misrepresentations, and Omissions</b>	<ul style="list-style-type: none"> <li>▪ Clarifications and updates to limit life-of-loan R&amp;W obligations: after the relief date, must involve three or more loans delivered by the same lender AND a common pattern of activity AND be significant (loan would not have been eligible if the information had been known at the time of delivery).</li> <li>▪ Fraud is an exception to the limits (fraud established by an adjudicated claim affirming fraud by or against the lender or other party to the loan transaction; or Fannie Mae finding clear and convincing evidence of fraud).</li> <li>▪ Effective retroactively for whole loans acquired on/after January 1, 2013 and loans delivered into MBS with pool issue dates on/after January 1, 2013 (unless Fannie Mae has issued a resolution request prior to Nov. 20, 2014).</li> </ul>
<b>Data Inaccuracies</b>	<ul style="list-style-type: none"> <li>▪ Clarifications and updates to limit life-of-loan R&amp;W obligations: after the relief date,               <ul style="list-style-type: none"> <li>▪ must involve five or more loans and the same delivery data element(s); AND</li> <li>▪ the loan delivery (ULDD) data must differ from information in the lender’s mortgage loan file; AND</li> <li>▪ must be significant (loan would not have been eligible if the information had been known at the time of delivery).</li> </ul> </li> <li>▪ Effective retroactively for whole loans acquired on/after January 1, 2013 and loans delivered into MBS with pool issue dates on and after January 1, 2013 (unless Fannie Mae has issued a resolution request prior to November 20, 2014).</li> </ul>
<b>Clear Title/First-Lien Enforceability</b>	Loans that do not meet the related requirements remain ineligible for R&W relief.
<b>Compliance with Laws and Responsible Lending Practices</b>	<ul style="list-style-type: none"> <li>▪ Updates to <i>Selling Guide</i> <a href="#">A3-2-01</a>, Compliance with Laws, which among other things requires lenders to comply with applicable federal, state, and local laws.</li> <li>▪ Applies to whole loans delivered to Fannie Mae on or after November 20, 2014, and loans delivered into MBS with pool issue dates on and after December 1, 2014, without regard to whether the loan has obtained relief under the framework.</li> <li>▪ To provide more transparency and certainty to lenders, Fannie Mae is limiting those situations for which it may enforce a repurchase for a breach of the compliance with laws to those situations in which:               <ol style="list-style-type: none"> <li>1. the lender’s failure to comply could be expected to impair Fannie Mae’s or its servicer’s ability to enforce the note or mortgage;</li> <li>2. the lender’s failure to comply could be expected to impose assignee liability on Fannie Mae; or</li> <li>3. the loan is found to have been in violation of, or if Fannie Mae has made a finding, based on the facts available to Fannie Mae, that a violation may have occurred, of one or more of the following laws or related regulations: Office of Foreign Assets Control (OFAC) of the Department of Treasury laws and regulations; Fair Housing Act; Anti-discrimination provisions of the Equal Credit Opportunity Act (ECOA); Unfair, Deceptive or Abusive Acts or Practices under federal and state law (UDAAP); or Securities Exchange Act of 1934.</li> </ol> </li> <li>▪ Resolution requests will not be enforced during pending litigation or government agency review.</li> <li>▪ Fannie Mae will not issue a resolution request based on violations of the ability to repay (ATR) provisions under the Truth in Lending Act unless a court or regulator concludes the loan did not comply with ATR.</li> </ul>
<b>Unacceptable Mortgage Products</b>	<ul style="list-style-type: none"> <li>▪ The Single-Family Mortgage Product Eligibility life-of-loan exclusion is now called Unacceptable Mortgage Products. For more information, see <i>Selling Guide</i> section <a href="#">A2-2.1-06</a>, Life-of-Loan Representations and Warranties.</li> </ul>