

Selling Guide Part D, Ensuring Quality Control

Fact Sheet

Fannie Mae is committed to providing policies, tools, and resources that support strong loan quality, financial resiliency, and a stable housing market. Our *Selling Guide* contains the quality control (QC) policy for lenders. Subpart D1 of the *Guide* outlines our requirements for lender QC programs, including prefunding and post-closing QC standards.

We continue to evolve our policies to offer lenders clarity, flexibility, and transparency into our requirements.

We updated *Selling Guide* Subpart D1 to modernize our policies, clarify our expectations, and expand flexibility for lenders' quality control processes.

What changed

Subpart D1 is organized into three chapters:

1. QC Program Specifics (including QC plans, sampling, and reporting)
2. Prefunding QC
3. Post-closing QC

The changes can be grouped into several categories:

- Addition, Flexibility, or Modernization – change to a *Selling Guide* requirement.
- Clarification – provides clarity in implementing an existing *Selling Guide* requirement.
- Revision or Reorganization – revise the content layout or relocate content from one section to a more relevant section of the *Guide*, without changes to the content requirements.

The outcome incorporates modern concepts, enhanced methodologies, increased transparency, and creates greater certainty of *Selling Guide* expectations and requirements.

Policy updates

The table below highlights the policy requirement changes to *Selling Guide* Part D.

Guide section	Type of policy change	What is the change?
		QC Programs, Plans, and Processes
D1-1-01	Addition	Lender QC plans must be updated to include <i>Guide</i> requirements for self-reporting to investors, corrective action and action plans, and reverification tracking, and changes or updates to Subpart D1.
D1-1-01	Modernization	QC reviews for third-party originations is modernized by moving to a strategic sampling methodology instead of a "1in12" policy (one review per year for each originator). On at least a monthly basis, sampling of third-party originations must include (1) post-closing random sampling with full file reviews and be supplemented by (2) discretionary targeted sampling, with either full file or component reviews and be included in reporting. Discretionary samples must be focused on elevated risks identified in random sampling and may be implemented in either prefunding/prepurchase or post-closing.
D1-1-03	Addition	All reporting requirements are consolidated in a single section and expanded to capture all QC requirements in the <i>Guide</i> and ensure monthly QC reports to management include a summary of the same.
		Prefunding QC Review Process



Guide section	Type of policy change	What is the change?
D1-2-01	Flexibility	Options for prefunding QC sampling are expanded to permit using 10% of the lender's current month's projected volume (total loans to be closed or acquired), so long as a reconciliation process confirms the 10% requirement is met. Alternatively, using the lesser of 10% of the prior month's total loans closed or acquired, or 750 loans is still permitted.
D1-2-01	Addition	Occupancy assessment review requirements are expanded to (1) cover second homes and investment properties, in addition to principal residences, (2) be part of full file reviews in prefunding, in addition to post-closing.
		Post-Closing QC Review Process
D1-3-02	Addition	Property insurance and flood insurance review requirements are shifted forward in the file review process to the credit document set from the closing documents set to confirm that insurance coverage complies with <i>Guide</i> requirements.
D1-3-02	Modernization	Mortgage insurance (MI) coverage review requirements are modernized to permit using various sources to validate the data and shift the requirement to focus on validating the data instead of merely obtaining a copy of the MI documentation.
		Post-Closing QC Reverifications
D1-3-03	Addition	For all property types (not just principal residences), if occupancy red flags are identified, further investigation is required (for example, review publicly available information or hire a door knock service) to ensure the occupancy status is accurate.
D1-3-03	Flexibility	Appraisal comparable sales do not have to be reverified on appraisals with a Collateral Underwriter® score of 2.5 or below if all requirements are satisfied in Section A2-2-06, Representations and Warranties on Property Value.
D1-3-03	Addition	Reverification results and unsuccessful attempts must be tracked, trended, and included in monthly summary reports to management.

Other updates

The table below highlights clarifications and reorganization updates to *Selling Guide* Part D.

Guide Section	Type of update	What is the Update?
		QC Programs, Plans and Processes
D1	Reorganization	List of topics in Subpart D1 is reorganized to include “corrective action” and describe “sampling” instead “selecting”.
D1-1-01	Reorganization	All QC program requirements are consolidated in section D1-1-01, including Third-Party Originations, Corrective Action, Self-Reporting, Record Retention, and Audit Review of the QC Process.
D1-1-01	Reorganization	Information on corrective action, self-reporting, record retention, and the audit review of the QC process is moved to D1-1-01 from D1-3-06.
D1-1-01	Clarification	The self-reporting timeline is clarified to define the “confirmation date” as the date the QC report is published (with the loan subject to self-reporting).
D1-1-02	Revision	“QC Vendor Management” heading is added.
D1-1-03	Reorganization	All reporting requirements are consolidated for prefunding and post-closing.



		Prefunding QC Review Process
D1-2-01	Clarification	Prefunding review process is clarified to cover both prefunding reviews (prior to closing) and prepurchase reviews (prior to acquiring) reviews. Previously, guidance specified that a prefunding QC plan must address defects prior to closing a loan.
D1-2-01	Clarification	The prefunding QC review process for reviewing loans with income or assets validated by the DU validation service does not require recalculation or reverification of the validated income or assets. However, the report ID must match the final DU® findings report and the report must not be expired.
		Post-Closing File Selections
D1-3-01	Reorganization	The file review process requirements are moved to D1-3-02.
D1-3-01	Clarification	The selection process is clarified as requiring both random and discretionary selections. The sampling methodology for discretionary selections is clarified to require flexibility to target loans with higher potential for risk and adjust as such risks change over time.
D1-3-01	Reorganization	Random Mortgage Selections and Statistical Sampling section is renamed “Random Selections”. The section now contains an overview about random samples and separates the two sampling methods into distinct topics covering 10% and Statistical sampling.
		Post-Closing QC File Reviews
D1-3-02	Reorganization	The following file review requirements are moved to D1-3-02: • Verification of Data Integrity • Review of Social Security Number • Review of Transaction and Closing Documents
		Post-Closing QC Reverifications
D1-3-03	Clarification	The purpose of the reverification process is clarified. 1. Information in the reverification documentation must be reconciled against the information used to underwrite the loan to ensure that there was no material changes to the loan as delivered to Fannie Mae. 2. The purpose of “employment reverification” is clarified to mean that the information is used to confirm the borrower was employed through the date of closing if income from that employment was utilized in qualifying the borrower. 3. The purpose of obtaining tax transcripts is clarified as part of the normal post-closing QC process. If transcripts cannot be obtained because of an IRS rejection or another reason, a moderate defect must be cited and a corrective action plan must be implemented, if appropriate.
D1-3-03	Reorganization	All post-closing reverification requirements are consolidated in Section D1-3-03, Lender Post-Closing Quality Control Reverifications.
D1-3-04	Reorganization	Section D1-3-04 is retired. The collateral risk and property data collection assessment review requirements are moved to “Property Eligibility and Property Value” in Section D1-3-03. The appraiser and property data collector oversight requirements are moved to Part B.
D1-3-05	Reorganization	Section D1-3-05 is retired, and its contents moved to D1-3-02.
D1-3-06	Reorganization	Section D1-3-06 is retired, and its contents moved to D1-1.

Resources

Besides the [Selling Guide](#), we offer additional guidance and valuable QC information through the [Quality Insider newsletters](#) and [Beyond the Guide](#), a publication designed to provide a road map for compliance with Part D, including best practices. *Beyond the Guide* will be updated later this year to align with the Part D changes.