

Loan Defect Taxonomy*

Fannie Mae utilizes a standard defect taxonomy during our post-purchase file review process. The taxonomy is structured to support an accelerated root cause analysis of loan quality data. These defects (which may be eligibility violations) are referenced in reporting to lenders on the quality of their deliveries. This information is also available in a [spreadsheet](#).

*Non-exclusive list as of March 19, 2024; subject to change.

Loan Defects

Defect Category	Defect Subcategory	Defect Name
Appraisal	Appraisal Adjustments	<ul style="list-style-type: none"> Appraisal Adjustments Not Correctly Applied Comparable Adjustments Failure to Adjust Comparables Inadequate Comparable Adjustment(s) Unacceptable Comparable Adjustment(s) – Sales/Financing Concessions
	Appraisal Data Integrity	<ul style="list-style-type: none"> Comparable Sale(s) Physical Features Reported Inaccurately – Age Comparable Sale(s) Physical Features Reported Inaccurately – Bedroom/Bathroom Count Comparable Sale(s) Physical Features Reported Inaccurately – Condition/Quality of Construction Comparable Sale(s) Physical Features Reported Inaccurately – Design/Appeal Comparable Sale(s) Physical Features Reported Inaccurately – Gross Living Area Comparable Sale(s) Physical Features Reported Inaccurately – Other Comparable Sale(s) Site Characteristic(s) or Location Reported Inaccurately Comparable Sale(s) Transaction Details Reported Inaccurately Failure to Report and/or Analyze Subject Listing History Failure to Report and/or Analyze Subject Sales History Failure to Report Comparable Sales History Failure to Report Pending Sale for the Subject Insufficient Data Source for Comparable Sale(s) Market Conditions Reported Inaccurately Subject Physical Features Reported Inaccurately – Age Subject Physical Features Reported Inaccurately – Bedroom/Bath Count Subject Physical Features Reported Inaccurately – Condition/Quality of Construction Subject Physical Features Reported Inaccurately – Design/Appeal Subject Physical Features Reported Inaccurately – Gross Living Area Subject Physical Features Reported Inaccurately – Other Subject Site Features – Entire Parcel Not Included Subject Site Size Reported Inaccurately Subject View or Location Reported Inaccurately Unfavorable Conditions Not Reported and/or Analyzed



Appraisal	Appraisal Documentation	<ul style="list-style-type: none"> • Appraisal – Expired • Appraisal – Missing • Appraisal Not Uploaded to UCDP • Appraisal Update – Missing or Non-Compliant • Completion Report or 1004D Alternative – Missing • HomeStyle Renovation – Evidence of Completion Not Provided • Ineligible for Hybrid Appraisal • Required Appraisal Update Missing or Non-Compliant – Single-Closing Construction to Permanent Financing
	Appraisal Misleading	<ul style="list-style-type: none"> • Misrepresentation of the Physical Characteristics • Unacceptable Appraisal by Use of Inappropriate Comparable Sales • Unsupported or Misleading Market Data
	Appraisal Reconciliation	<ul style="list-style-type: none"> • Adjusted Value of Comparable Sale(s) Failed to Support Appraised Value • Appraised Value Outside Adjusted Sales Price Range • Value Warranty – Alternative Collateral Valuation • Value Warranty – Refinance • Value Warranty – Value Seasoned Loan
	Comparable Selection	<ul style="list-style-type: none"> • Exclusive Use of Sales from Subject’s Subdivision or Project • Failure to Use a Sale from Subject’s New Subdivision or Project • Inappropriate Comparable Sale(s) Selection – Dated Comparable Sale(s) • Inappropriate Comparable Sale(s) Selection Due to Location • Inappropriate Comparable Sale(s) Selection – MH Advantage • Use of Dissimilar Comparable Sale(s) Due to Site Characteristics • Use of Dissimilar Comparable Sale(s) Due to Type of Ownership • Use of Dissimilar Comparable Sale(s) – Non-Traditional Property • Use of Physically Dissimilar Comparable Sale(s) – Age • Use of Physically Dissimilar Comparable Sale(s) – Bedroom Count • Use of Physically Dissimilar Comparable Sale(s) – Condition/Quality of Construction • Use of Physically Dissimilar Comparable Sale(s) – Design/Appeal • Use of Physically Dissimilar Comparable Sale(s) – Gross Living Area • Use of Physically Dissimilar Comparable Sale(s) – Other • Use of Physically Dissimilar Comparable Sale(s) – Total Finished Living Area



Appraisal	Desktop Appraisal	<ul style="list-style-type: none"> • Expired Desktop Appraisal • Ineligible for Desktop Appraisal • Insufficient Data to Provide Credible Results on Desktop • Missing Desktop Exhibits • Missing / Inaccurate Desktop Assignment Type • Wrong Form Based on Desktop Requirements
	General Appraisal Requirements	<ul style="list-style-type: none"> • Appraisal Not Complete or Compliant • Appraisal on Wrong Form • Appraiser – Unlicensed / Not Qualified • Excess Land • Failure to Comply with ANSI Standards • Failure to Report Sales Contract Information in the Appraisal • Failure to Use Required Number of Manufactured Home Comparable Sales • Failure to Use Required Number of Properties with Similar Accessory Dwelling Unit • Failure to Use Three Comparable Sales • Fair Housing Violation • Ineligible for Value Acceptance (Appraisal Waiver) • Missing Photographs of the HUD Data Plate and/or Certification Labels • Supervisory / Review Appraiser Not Qualified • Under Valuation
Assets	Asset Calculation/Analysis	<ul style="list-style-type: none"> • Asset Validation – Conflicting and Contradictory Information • Insufficient Assets for 30 Day Charge Accounts • Insufficient Assets to Close • Insufficient Assets to Pay Off Debt • Insufficient Assets for Reserves • Undocumented Large Deposit/Increase
	Asset Documentation	<ul style="list-style-type: none"> • Asset Documentation Aged • Asset Documentation Incomplete/Illegible • Asset Documentation – Missing All • Asset Misrepresentation • Asset Validation – Borrower Not Confirmed as Account Holder • Earnest Money Missing • Gift Documentation Missing • Liquidation of Asset Missing • Net Proceeds Missing
	Asset Eligibility	<ul style="list-style-type: none"> • Gift Funds Unacceptable • Gift on Investment Transaction Not Permitted • Interested Party Contributions Exceed Borrower’s Costs • Interested Party Contributions Exceed Percentage Allowed • Interested Party Contributions – Sales Concessions • Minimum Contribution from Borrower’s Own Funds Not Met • Unacceptable Source of Funds



Borrower and Mortgage Eligibility	Borrower Requirements Not Met	<ul style="list-style-type: none"> Excessive Number of Financed Properties Multiple Financed Properties – Requirements Not Met Non-Occupant Borrower Requirements Not Met Trusts Ineligible Social Security Number Discrepancy
	General Eligibility	<ul style="list-style-type: none"> Cash-out Refinance Requirements Not Met Delayed Financing Exception Requirements Not Met Delinquent at or Before Delivery Delinquent Property Taxes Financed – Limited Cash-Out Refinance Delivered with Excessive DTI Ratio Excessive Cash-Out Refinance Forbearance Pre-Delivery Installment Land Contract Cash-Out Refinance Not Permitted Manufactured Home Requirements Not Met Power of Attorney Ineligible or Ineffective Property Listed for Sale on Refinance Transaction Special Approval or Variance Not Obtained Temporary Interest Rate Buydown Requirements Not Met Variance Requirements Not Met
	LTV/CLTV/HCLTV	<ul style="list-style-type: none"> Excessive LTV/CLTV/HCLTV Ratio LTV/CLTV/HCLTV Calculated Incorrectly Manufactured Housing – LTV/CLTV/HCLTV Calculated Incorrectly
	Occupancy	<ul style="list-style-type: none"> Misrepresentation of Investment Occupancy Misrepresentation of Primary Occupancy Second Home Eligibility Requirements Not Met
	Product Eligibility	<ul style="list-style-type: none"> Affordable Housing Income Limits Exceeded Affordable Housing Requirements Not Met Construction to Permanent Financing Requirements Not Met High LTV Refinance Requirements Not Met Homeownership Education - Certificate Missing or Defective HomeReady Requirements Not Met HomeStyle Renovation Requirements Not Met RefiNow Requirements Not Met TX 50(a)(6) Requirements Not Met
	Subordinate Financing	<ul style="list-style-type: none"> Evidence of Subordination or Release of Existing Lien Not Provided Excessive Cash-Out – Payoff Subordinate Financing Subordinate Financing Terms Not Provided Subordinate Financing Unacceptable Undisclosed Subordinate Financing
Credit	Credit Documentation	<ul style="list-style-type: none"> Credit Documents Aged Credit Report Missing or Defective Misrepresentation of Credit Mortgage Payment History Missing or Defective
	Credit Eligibility	<ul style="list-style-type: none"> Disputed Tradelines Minimum Credit Score Requirement Not Met Non-traditional Credit History Requirements Not Met Outstanding Collections, Non-Mortgage Charge-offs or Past Due Balances Outstanding Judgment(s) Outstanding Lien(s) Significant Derogatory Credit Event – Requirement Not Met Unacceptable Mortgage History



Income/Employment	Income/Employment Calculation/Analysis	<ul style="list-style-type: none"> • Higher Eligible Income not used at Origination • Income Validation – Conflicting and Contradictory Information • Income Validation – Tax Transcript Conflicting and Contradictory • Incorrect Income Calculation – Base • Incorrect Income Calculation – Bonus/Commission/Overtime • Incorrect Income Calculation – Employed by Family Member or Interested Party • Incorrect Income Calculation – Other Income Sources • Incorrect Income Calculation – Rental Income/Loss • Incorrect Income Calculation – Retirement/Pension/Social Security • Incorrect Income Calculation – Self-Employed • Other Eligible Income not used at Origination
	Income/Employment Documentation	<ul style="list-style-type: none"> • Employment Offer Requirements Not Met • Income Documentation Aged • Income Documentation Illegible • Income Documentation Missing – All • Income Misrepresentation • Income Not Documented – Age of Tax Return Requirements Not Met • Income Not Documented – Alimony/Child Support • Income Not Documented – Base • Income Not Documented – Bonus/Commission/Overtime • Income Not Documented – Employed by Family Member or Interested Party • Income Not Documented – Other Income Sources • Income Not Documented – Rental Income/Loss • Income Not Documented – Retirement/Pension/Social Security • Income Not Documented – Secondary Employment/Multiple Jobs • Income Not Documented – Self-Employed
	Income/Employment Eligibility	<ul style="list-style-type: none"> • Borrower Not Employed • Continuance of Income Unacceptable • Employment Validation – Borrower Not Employed • History of Bonus/Overtime Income Unacceptable • History of Commission Income Unacceptable • History of Other Income Sources Unacceptable • History of Secondary Employment Income Unacceptable • History of Self-Employment Income Unacceptable • Single Source Validation – Borrower Not Employed as Disclosed • Source of Income Unacceptable • SSV Income Validation – Borrower Not Confirmed as Account Holder
Insurance	Insurance – Selling Violation	<ul style="list-style-type: none"> • Fidelity/Crime and/or Liability Insurance Policy Not Documented for the Project/HOA • Flood Cert or Evidence not in a Flood Zone Missing • Flood Insurance Not Documented • Flood Insurance Not Obtained • Mortgage Insurance – Inadequate Coverage • Mortgage Insurance – Never in Force • Mortgage Insurance – Not Documented • Mortgage Insurance was Rescinded • Property Insurance Not Documented



Legal/ Regulatory/ Compliance	Anti-Predatory Lending Violation	<ul style="list-style-type: none"> • Amortization Ineligible • Home Ownership and Equity Protection Act Documentation Missing • Home Ownership and Equity Protection Act Violation – APR • Home Ownership and Equity Protection Act Violation – APR and Points and Fees • Home Ownership and Equity Protection Act Violation – Points and Fees • Maximum Points and Fees Exceeded – Third Party Notification of Violation • State Higher-Priced Mortgage Loan • Maximum APOR-APR Rate Spread Exceeded for ATR QM Covered Loans • Maximum APOR-APR Rate Spread Exceeded for ATR QM Exempt Loans • Maximum Points and Fees Exceeded for ATR QM Covered Loans • Maximum Points and Fees Exceeded for ATR QM Exempt Loans
Liabilities	Liabilities Calculation/Analysis	<ul style="list-style-type: none"> • Debts Not Paid Off • Monthly Payments Not Properly Calculated • Undisclosed Liability • Undisclosed Mortgage(s)
	Liabilities Documentation	<ul style="list-style-type: none"> • Monthly Payment Amount Not Verified • Omission of Debts Documentation Missing • Rental Housing Payment Missing or Defective
Loan Documentation	Application/Processing	<ul style="list-style-type: none"> • AUS Findings Report Missing or Defective • Loan Application Missing or Defective • Power of Attorney – Loan Application Not Signed by Borrower • Sales Contract Missing or Defective
	Closing Documentation	<ul style="list-style-type: none"> • Closing Disclosure – Defective • Closing Disclosure – Missing • Note Missing or Defective • Power of Attorney Missing or Defective • Security Instrument Missing or Defective • Seller Settlement Statement Missing or Defective • Trust Documentation Missing or Defective
	Loan File	<ul style="list-style-type: none"> • Loan File Missing
Project Eligibility	Project Documentation	<ul style="list-style-type: none"> • Missing, Inadequate or Incomplete Project Document
	Project Eligibility	<ul style="list-style-type: none"> • Full Review – Project Delinquency • Full Review – Project Reserve Requirement • Ineligible Project – Commercial Space • Ineligible Project – Condotel • Ineligible Project – Litigation • Ineligible Project – Other Charter Violation • Ineligible Project – Safety, Soundness, and Structural Integrity • Ineligible Project – Single Entity Ownership
	Project Review	<ul style="list-style-type: none"> • Expired Project Review



Property Data Collection	Property Data Collection – Data Integrity	<ul style="list-style-type: none"> • Subject Age Reported Inaccurately by Data Collector • Subject Bedroom/Bath Count Reported Inaccurately by Data Collector • Subject Condition/Quality of Construction Reported Inaccurately by Data Collector • Subject Gross Living Area Reported Inaccurately by Data Collector • Subject Physical Features Reported Inaccurately – Other by Data Collector • Subject Site Characteristic(s) or Location Reported Inaccurately by Data Collector • Unfavorable Conditions Not Reported and/or Analyzed by Data Collector
	Property Data Collection Requirements	<ul style="list-style-type: none"> • Ineligible for Value Verify • PDC Offer No Longer Valid • Property Data Collector Not Eligible
Property Eligibility	Manufactured Housing – Specific	<ul style="list-style-type: none"> • Ineligible Manufactured Housing • Ineligible Manufactured Housing – Addition or Structural Modification • Ineligible Manufactured Housing with Leasehold Estate • Ineligible MH Advantage – Failure to Meet Requirements • Ineligible MH Advantage – Missing HUD Data Plate or Certification Label • Ineligible MH Advantage – Missing MHA Sticker • Ineligible Single-wide Manufactured Home
	On-frame Modular Home	<ul style="list-style-type: none"> • Ineligible On-frame Modular Home • Ineligible On-frame Modular Home – Neighborhood Non-conformity
	Site and Utilities	<ul style="list-style-type: none"> • Ineligible Property – Environmental Hazards • Ineligible Property – Inadequate Accessibility • Ineligible Property – Parcel Issues • Ineligible Property – Site and Utilities • Ineligible Property – Utilities
	Subject and Improvements	<ul style="list-style-type: none"> • Ineligible Property – Number of Units • Ineligible Property – Safety, Soundness, and Structural Integrity • Ineligible Property – Subject and Improvements
	Zoning and Usage	<ul style="list-style-type: none"> • Ineligible Property – Accessory Dwelling Unit • Ineligible Property – Commercial Zoning • Ineligible Property – Condo/Co-op • Ineligible Property – Highest and Best Use • Ineligible Property – Land Use • Ineligible Property – Non-Residential Use • Ineligible Property – Site Conformity • Ineligible Property – Unacceptable Mixed Use • Ineligible Property – Zoning and Usage • Ineligible Property – Zoning Non-compliance
	Leasehold Estate	<ul style="list-style-type: none"> • Leasehold Requirements Not Met or Not Provided



Value Acceptance + Property Data	Value Acceptance + Property Data	<ul style="list-style-type: none">• Ineligible for Value Acceptance + Property Data
Title Lien	Title/Lien	<ul style="list-style-type: none">• Incorrect Legal Description (Origination)• Land Locked Parcel• Property Encroachment
	Title/Lien Selling Violation	<ul style="list-style-type: none">• Loan Not in First Lien Position at Origination