

How to Access and Utilize Your Fannie Mae QC File Review Results in Loan Quality Connect™

April 26, 2023



Recording in Progress

For anyone that could not attend today.

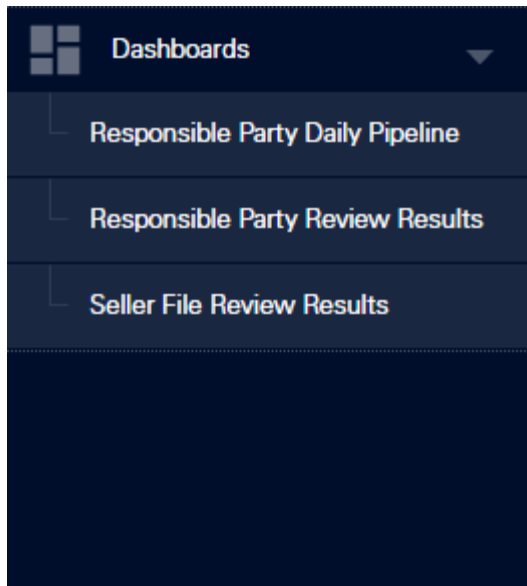
Today's Agenda

- 02:05 – 02:10 pm (05 mins) Welcome – David Longrigg
- 02:10 – 02:30 pm (20 mins) Demo – Thurston Curtis
- 02-30 – 02:40 pm (10 mins) QC Resources – Chris Amenell
- 02:40 – 02:55 pm (15 mins) Q&A - All
- 02:55 – 03:00 pm (5 mins) Closing - David Longrigg

Disclaimer

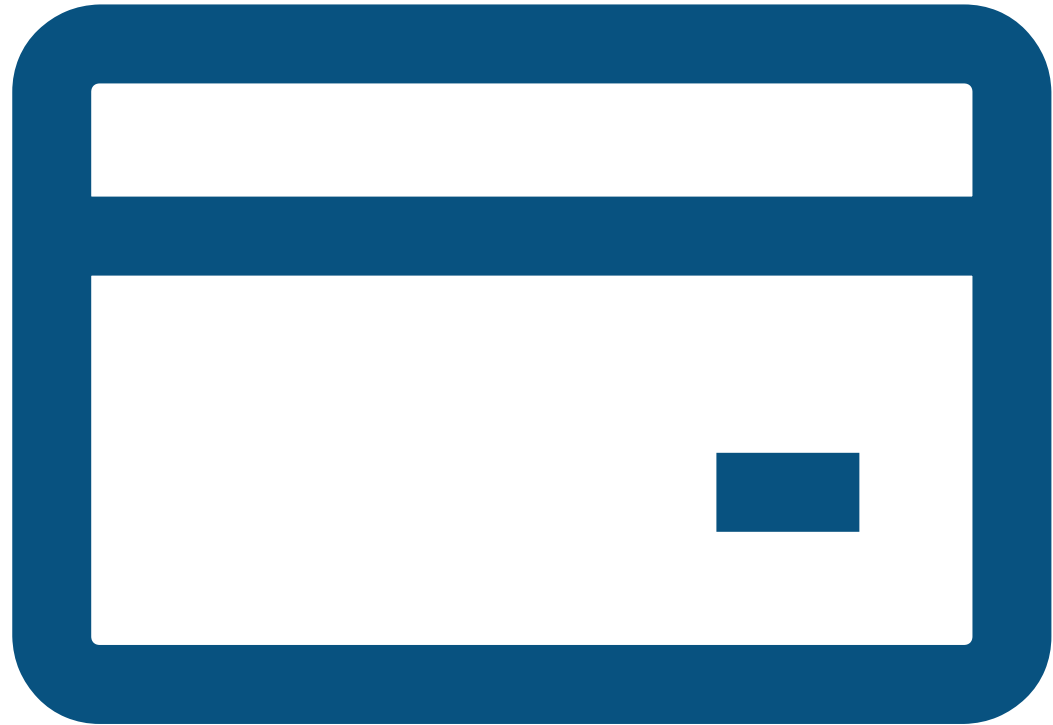
While every effort has been made to ensure the reliability of this content, *Fannie Mae's Selling and Servicing Guides* and their updates, including *Guide Announcements* and *Release Notes*, are the official statements of Fannie Mae's policies and procedures and control in the event of discrepancies between the information in the training and the *Guides*.

Loan Quality Connect Dashboard



- Self-service reporting to manage loan quality
- Accessible to all users
- Can be used for day-to-day activities and for longer term decisions
- Create custom reports, view loan level details and export data to Excel

DEMO



Fannie Mae QC Resources



Fannie Mae Single Family Website

Loan Quality

Reducing risk, increasing certainty: our shared commitment to managing quality risk

Fannie Mae partners with lenders to decrease risk. Together, our shared commitment increases the level of quality and risk oversight delivering certainty to lenders and Fannie Mae.



Quality Insider

In an unpredictable market, quality risk management is more important than ever. QC programs that can adapt and mitigate against loan manufacturing challenges in the current economic environment will help ensure stability within their organization. This issue of *Quality Insider* features strategies to increase certainty by developing a well-structured prefunding review program focused on loans with little margin of error.

Featured Resources

BOOT CAMP

Boot Camp Webcast Series On Demand

Check out 2022 Boot Camp On Demand covering risk management, underwriting and quality control.

[View >](#)



Take control of your risk

We're making risk management easier. These seller/servicer risk self-assessments put you in control.

[Learn more >](#)



Beyond the Guide

Find out how to get the most from your quality control program.

[View >](#)

<https://singlefamily.fanniemae.com/originating-underwriting/loan-quality>



Have questions?

Get answers to your policy and guide questions, straight from the source.

[Get Started >](#)

Fannie Mae Single Family Website

Commit to Quality Control

Avoid Loan Defects

Manage Risk

Respond to File or Repurchase Requests

Validate Data

Day 1 Certainty

Related Applications

Commit to Quality Control

- 2021 Boot Camp Webcast Series
- Quality Control Calibrations FAQs
- QC Calibration Loan List template
- Best practices for income and employment verifications
- QC Self-Assessment Worksheet
- Successfully Managing the Selling and Servicing Compliance and Performance Review
- Guidelines Related to the IRS Form 4506-C and Tax Return Transcripts

Located at the bottom of the page are resources to help support various QC processes and activities.

The *Commit to Quality Control* area is a good place to start when looking to perform a self-assessment of the QC process. Boot Camp recordings and tax transcript guidelines can be accessed from this location



Quality Control Self-Assessment



Measuring the effectiveness of your quality control program

This document is designed to help you manage your quality risk and comply with Fannie Mae's *Selling Guide* minimum quality control (QC) requirements and includes highly suggested QC best practices. Use this worksheet to take the QC self-assessment, and add notes to help you develop or update your organization's QC plan.

NOTE: Required elements are designated with an asterisk, while recommended (but not required) elements do not have an asterisk. For full lender QC requirements, see Part D1 of the *Selling Guide*.



Guidelines Related to the IRS Form 4506-C and Tax Return Transcripts

The IVES Request for Transcript of Tax Return (IRS Form 4506-C) provides the borrower's permission for the lender to request the borrower's tax return information directly from the IRS using the IRS Income Verification Express Service (IVES). The IRS tax transcripts are an effective QC and fraud prevention and detection tool, and lenders should have a process to ensure that a complete, legible, and accurate Form 4506-C is obtained during the origination process. Previously, IRS Form 4506-T was used for this purpose; however, effective May 1, 2021, only Form 4506-C will be accepted through IVES to provide tax transcripts to third parties. (Forms 4506-T and 4506T-EZ are used by taxpayers to request a transcript of tax return.)

NOTE: An alternate form is also acceptable if it authorizes the release of comparable tax information from the IRS. Further, borrowers with income from Puerto Rico must use [Modelo SC 2907](#) (Solicitud De Copia De Planilla, Relevo de Herencia Y de Donacion) rather than Form 4506-C. Applicable forms or processes for eligible borrowers filing tax returns in other U.S. territories must be adhered to and obtained when required.

Fannie Mae Single Family Website

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Related Applications

Avoid Loan Defects

- Loan Defect Taxonomies
- How to Calculate a Defect Rate
- Occupancy Defect Guidelines and Scenarios

The *Avoid Loan Defects* tab contains the updated Fannie Mae Loan Defect Taxonomy to help lenders calibrate defect types and naming with Fannie Mae results.

Determining occupancy can be difficult. The section gives guidance for this issue



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 October 1, 2022; 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



Occupancy Defect Guidelines and Scenarios

Overview

Lenders frequently inquire about how Fannie Mae assesses occupancy misrepresentation defects during a post-acquisition loan file review. To standardize the protocol for handling occupancy defects and provide transparency to lenders, Fannie Mae created the Occupancy Defect Guidelines documented in the process below so lenders can see how Fannie Mae presently reviews loans delivered as a principal residence for compliance with the occupancy representation and warranty. Other types of loan defects may follow similar defect remediation practices.

A detailed loan-level example of the various outcomes of the Occupancy Defect Guidelines is on page two.

Fannie Mae Single Family Website

Commit to Quality Control

Avoid Loan Defects

Manage Risk

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Related Applications

Manage Risk

- Action Plan Template
- QC Post Closing Collateral Risk Assessment FAQs
- Representations and Warranties Framework Summary
- Reverification Tracking Process and Templates
- Post-purchase Review Process Overview
- Sample Quality Control Vendor Management Documents

The *Manage Risk* tab supports key QC processes such as Action Planning, Reverification Tracking, and Collateral Risk Assessments

Action Planning and reverifications are key parts of the QC process and drive improvement in your organization. These topics need to be a priority in the QC process

Quality Control Risk Management Action Plan

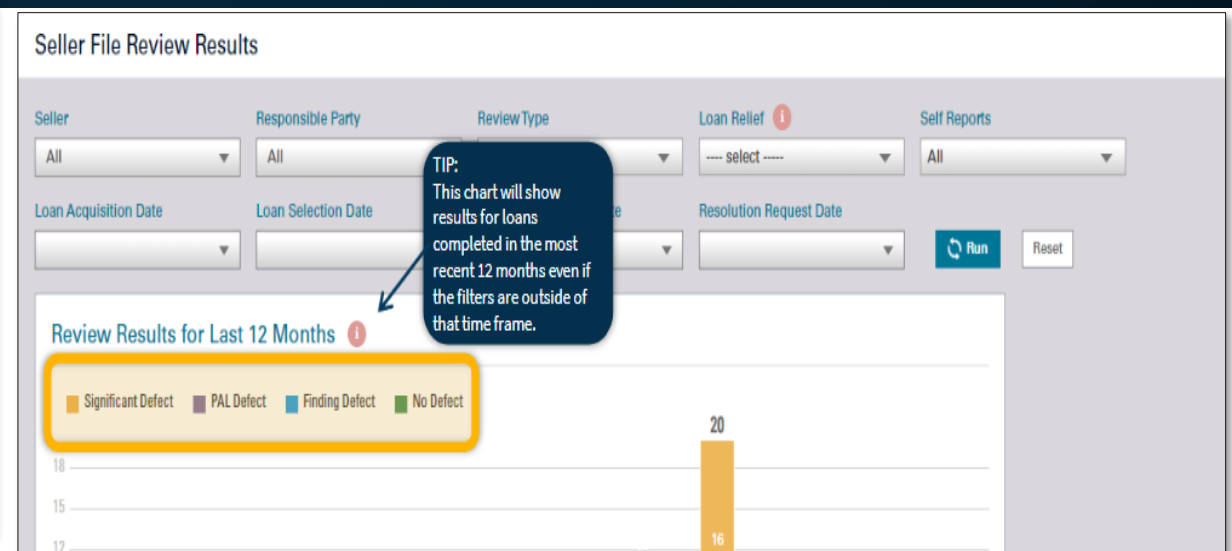
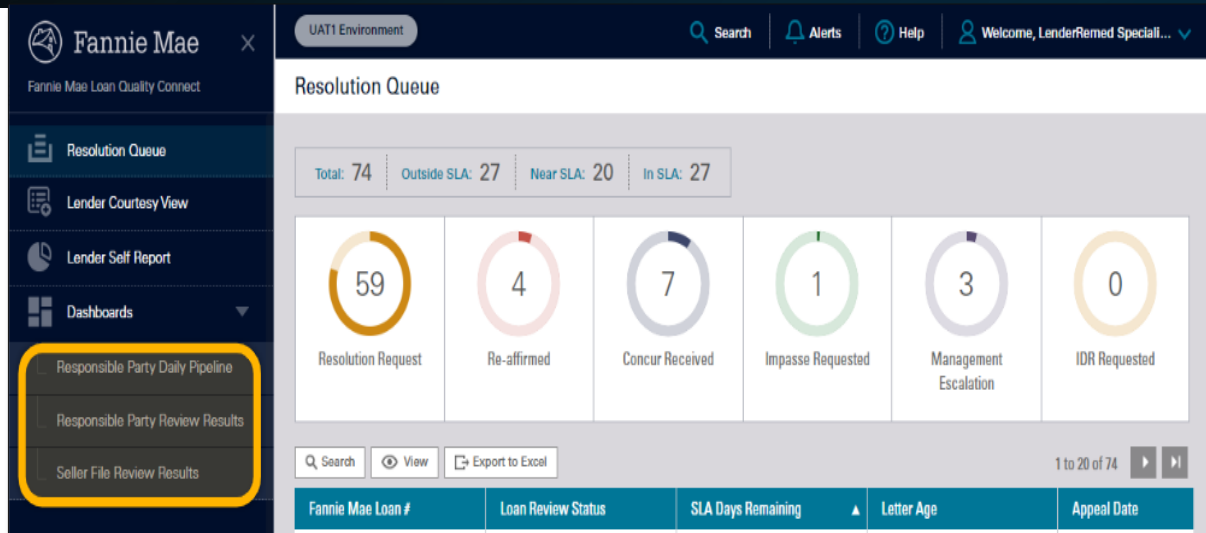
Meeting Organizer: Insert name(s)

Defect_Issue	Priority	Status	Date Opened	Defects Observed		Suspected Root Cause
				Internal Reports	Investor Reports	
Missing Documentation _ Personal Tax Returns	High	Complete	12/15/20XX	Yes	Yes	<p>Indexing - some users are not following standardized document naming conventions when uploading and labeling. Documents are present in imaging system but mislabeled, giving the appearance they are missing.</p> <p>Technology - uncovered glitches with document uploads when document being uploaded is a PDF and password protected. The system will not accept PDFs with passwords.</p> <p>Operations - processors are not uploading trailing documents obtained from the borrower through sources other than the LOS, such as email and fax.</p>

Post-close QC sample - production month [MM/YY]

Loan Number	Reverification Type/Source	First Attempt Sent	Fist Attempt Rec'd Date	Second Attempt Sent	2nd Attempt Rec'd Date
12334	VOE/VOI B1 (current job)	1/5/2022	1/12/2022	1/20/2022	1/26/2022
12334	VOE/VOI B1 (2nd Job)	1/5/2022	1/17/2022		
12334	VOE/VOI B2	1/5/2022	1/11/2022		
12334	VOE/VOI B2 (previous job)	1/5/2022		1/20/2022	1/31/2022
12334	VOD (ABC Bank)	1/5/2022		1/15/2022	
12334	VOD (ZXY Bank)	1/5/2022		1/15/2022	1/20/2022
12334	Gift (from father)	1/5/2022	1/11/2022		
13995	VOE/VOI B1	1/5/2022	1/6/2022		
13995	IRS Transcripts B2	1/5/2022	1/7/2022		

Loan Quality Connect™ QC Reporting



Seller File Review Defects

Export to Excel | Defect Category: [dropdown] | Defect Sub Category: [dropdown] | Defect Name: [dropdown]

Count	Defect Name
16	Loan Application Missing
2	Undisclosed Liability
2	Insufficient Assets to Pay
1	Interested Party Contribution
1	Interested Party Contribution
1	Misrepresentation of Occupancy
1	Outstanding Collection

Defect Category dropdown options:

- Mortgage Eligibility - UAT Test Ray
- Loan Documentation
- Liabilities
- Income/Employment1
- Credit
- Borrower and Mortgage Eligibility
- Assets
- Appraisal

OK | Cancel

Loan Quality Connect has QC reporting available to help identify QC opportunities

The link below is to the Dashboard Job Aid for Loan Quality Connect

https://singlefamily.fanniemae.com/job-aid/loan-quality-connect/topic/dashboard_overview.htm

Loan Quality Connect provides customizable QC reporting information. A brief eLearning course is available to help navigate the dashboards. [Loan Quality Connect eLearning](#)

Searchable job aids provide comprehensive guidance for navigating the Loan Quality Connect platform [Loan Quality Connect Job Aids](#)

Loan Quality Connect Learning Center

Loan Quality Connect Learning Center

Partnering with lenders to drive loan quality

Transform the way you manage the post-purchase review process. From uploading loan files to understanding the Data Validation Center process, our training materials will help you get the most from Loan Quality Connect.

Loan Quality Connect Overview

[Learn more](#)

What's New

October 2022

Are you getting the most from your Loan Quality Connect data and QC reports? Check out this [short video](#) to learn tips and tricks to maximize your time in Loan Quality Connect. Navigate the dashboard with ease and utilize Loan Quality Connect data to gain actionable insights to drive continuous improvement in your quality control processes.

Explore training and resources

Introduction Videos	<ul style="list-style-type: none"> Data Validation Center Self-Reporting
Job Aids	<ul style="list-style-type: none"> Loan Quality Connect Job Aids Providing Loan Files and Documents for a Single Loan Review Submitting a Lender Self-Report Responding to an Initial DVC Data Defect Dashboard Overview
Online Learning	<ul style="list-style-type: none"> Using Loan Quality Connect for QC Document and File Requests Self-Reports Voluntary Repurchases Dashboards
Frequently Asked Questions	<ul style="list-style-type: none"> Loan Quality Connect

Loan Quality Connect: Welcome (fanniema.com)

Contents

- Welcome
- What You Need to Know First
- General Features and Functions
- Self Reporting/Requesting Voluntary Repurchases
- Using the Dashboard
 - Dashboard Overview
 - Customizing Dashboard Reports
- DVC Specialist Role
- Document Technician Role
- Remediation Specialist Role
- Manager Role
- HomeStyle Renovation

Loan Quality Connect™ Job Aids

Loan Quality Connect Job Aids are a fully searchable set of task-based instructions that take you step-by-step through the most commonly used functions of the Loan Quality Connect system.

Here are some tips for using the job aids:

- Sets of job aids are grouped by topic. Click a topic to reveal its contents.
- Enter a topic into the search field to search for a particular word or phrase throughout the entire set of job aids. Job aids in which your search term is found are displayed. When you click on a topic resulting from a search, your search term is highlighted within the job aid itself.
- Click the print icon to print the currently selected topic.
- Click the minimize icon to close the navigation panel and click the expand icon to redisplay the navigation panel.

Using Loan Quality Connect (fanniemaecourses.s3.amazonaws.com)

Resolution Queue

Total: 74 | Outside SLA: 27 | Near SLA: 20 | In SLA: 27

Resolution Request: 59 | Re-affirmed: 4 | Contour Received: 7 | Response Request: 1

Fannie Mae Loan #	Loan Review Status	SLA Days Remaining
	Management Escalation Requested	-75
	Lender Contour Received	-51
	Lender Contour Received	-46
	Lender Contour Received	-45
	Lender Contour Received	-32
	Lender Contour Received	-31
	Lender Contour Received	-31
	Management Escalation Requested	-12

View and export Fannie Mae review results

- Calibrate lender results
- Actionable QC information
- Drive continuous improvement

Originating and Underwriting Learning Center

Originating and Underwriting Learning Center

Everything you need to know to assist in originating and underwriting loans for sale to Fannie Mae

This Learning Center page provides resources and training on originating & underwriting loans, Fannie Mae's underwriting applications, and best practices to help you get the most out of Fannie Mae mortgage products, the Selling Guide and technology applications.

Additional QC Specific training is also available on this page

QC job aids and eLearning opportunities are available on the Single-Family page under Loan Quality. This info is on the bottom half of the page

<https://singlefamily.fanniemae.com/learning-center/originating-and-underwriting-learning-center>

Loan Quality

Introduction Videos

- Data Validation Center
- Self-Reporting

Online Learning

- Borrower Income Verification Policies
- Effective QC Reporting
- Improving Day 1 Certainty by Leveraging QC Best Practices
- QC Fundamentals
- Document and File Requests
- Self-Reports Voluntary Repurchases
- Dashboards

Quality Insider

Quality Insider

Quality Insider is an article series designed to help lenders manage loan quality through tips and best practices. Articles include short call-to-action insights that lenders can reference in enhancing their quality control processes.

February 2023

[Loans with little margin for error](#)

December 2022

[Strengthen your QC Program: QC independence and internal audit requirements](#)

October 2022

[Strengthen your QC Program: Prefunding](#)

Quality Insider articles are located on the Fannie Mae Single Family page.

<https://singlefamily.fanniemae.com/originating-underwriting/loan-quality/quality-insider-archive>

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The image shows the top portion of a Fannie Mae Quality Insider article. It features the Fannie Mae logo and the 'QUALITY INSIDER' branding in the top right corner. Below the branding is a photograph of two people's hands reviewing documents. The article title 'Loans with little margin for error' is prominently displayed in the center. Below the title, there are two columns of introductory text.

Loans with little margin for error

The mortgage industry is highly sensitive to changes in the economic landscape. We can look back to the Federal

In the past 12 months, Fannie Mae has seen a notable increase in loans that have both loan-to-value (LTV) ratios

The image shows the top portion of a Fannie Mae Quality Insider article. It features the Fannie Mae logo and the 'QUALITY INSIDER' branding in the top right corner. Below the branding is a photograph of a person's hand pointing at a chart on a document. The article title 'Strengthen your QC program: prefunding' is prominently displayed in the center. Below the title, there is a short introductory paragraph and a section titled 'Ask yourself:' followed by a bulleted list of questions.

Strengthen your QC program: prefunding

This edition of *Quality Insider* is the third installment in our series designed to strengthen core QC governance elements. This article focuses on the importance of leveraging prefunding quality control to reduce risk and improve loan quality.

Ask yourself:

- Does our prefunding QC process include action planning that drives change in our organization?
- Does our QC plan clearly detail the prefunding process and set expectations for all relevant stakeholders?
- How confident are we that our prefunding department operates independently from outside influence?
- Is our QC plan compliant with Fannie Mae *Selling Guide* requirements, including:

Selling Policy Communications

Selling Policy Communications

Selling Guide

[Access the Selling Guide >](#)

Access a list of Selling Announcements, Lender Letters, Notices, and related communications.

[Summary of COVID-19 Selling Policies >](#)

Selling Guide updates typically are published on the first Wednesday of the month.

[Lender Letter LL-2023-02 – Shared equity updates coming in July](#)

March 8, 2023-Effective for loans with note dates on or after July 1, 2023, shared equity loans that are secured by properties subject to private transfer fee covenants will now be eligible for sale to Fannie Mae if they meet certain conditions. Loans with private transfer fee covenants are currently prohibited by the Selling Guide, unless permitted by the Private Transfer Fee Regulation.

[Announcement SEL-2023-02: Selling Guide Updates](#)

March 1, 2023- The March Selling Guide update introduces, as part of valuation modernization, our transition to a range of options to establish a property's market value, with the option matching the risk of the collateral and loan transaction; provides additional guidance on the use of sweat equity and nonprofit program

Selling Policy Communications are found in this location. The document below is linked to this page.

<https://singlefamily.fanniemae.com/selling-policy-communications>



Summary of COVID-19 Selling Policies

February 15, 2023


Temporary Policy	Original Effective Date of Temporary Policy	Current Status of Temporary Policy
Sale of loans aged six months or less: Additional requirement that loans sold on a flow basis be no more than 6 months old to be eligible for sale. Exception permitted for HomeStyle® Renovation loans that can be up to 15 months provided the renovation is completed before loan delivery.	May 5, 2020	Permanent policy. Will be added to the Selling Guide in a future update.
Verification of self-employment: Requires lenders to confirm the existence of the borrower's business within 120 days prior to the note date and confirm that the borrower's business is open and operating within 20 business days of the note date (or after closing but prior to delivery).	Loan applications starting on Apr. 14, 2020	Retired February 15, 2023
Temporary eligibility requirements for purchase and refinance transactions: Requires lenders to obtain additional documentation to confirm the status of all outstanding mortgage tradelines given impact to credit reporting from the CARES Act.	Loan applications starting on Jun. 2, 2020	Retired February 15, 2023
Suspension of bulk transactions	May 5, 2020	Retired July 6, 2022
Requirements for borrowers using self-employment income to qualify: <ul style="list-style-type: none"> Adds additional documentation and income analysis requirements for self-employed borrowers. A YTD P&L (audited or unaudited) with a minimum of 3 months reported. If unaudited, also 3 months business depository account statements. Also requires adjustment to business income calculation and clarifies SBA PPP are not considered business assets.	Loan applications starting on Jun. 11, 2020 Updated to require 3 rather than 2 bank statements with an unaudited P&L starting with loan applications on Dec. 14, 2020	Retired for loans in process and new applications as of Feb. 2, 2022, with tax returns dated 2020 or 2021

Ask Poli®

Where can I find the Boot Camp Webcast Series?

Boot Camp Webcast Series On Demand

The Boot Camp Webcast Series On Demand provides training on risk management, underwriting, and quality control topics.



2022 Boot Camp On Demand (New!)

- [Fraud: Tips, Trends, and Pursuit](#) (June 2022)
- [Valuation Modernization](#) (June 2022)
- [Condo Underwriting Made Simpler](#) (July 2022)
- [Valuation Modernization: Implications for QC](#) (August 2022)
- [QC Fundamentals](#) (August 2022)
- [Top 5 Defects That QC and Underwriting Need to Know About](#) (September 2022)

Ask Poli is a good resource for Selling Guide questions, but can also be used to find additional information and training

Lender Letter (LL-2021-03), Impact of COVID-19 on Originations (Feb. 2023)

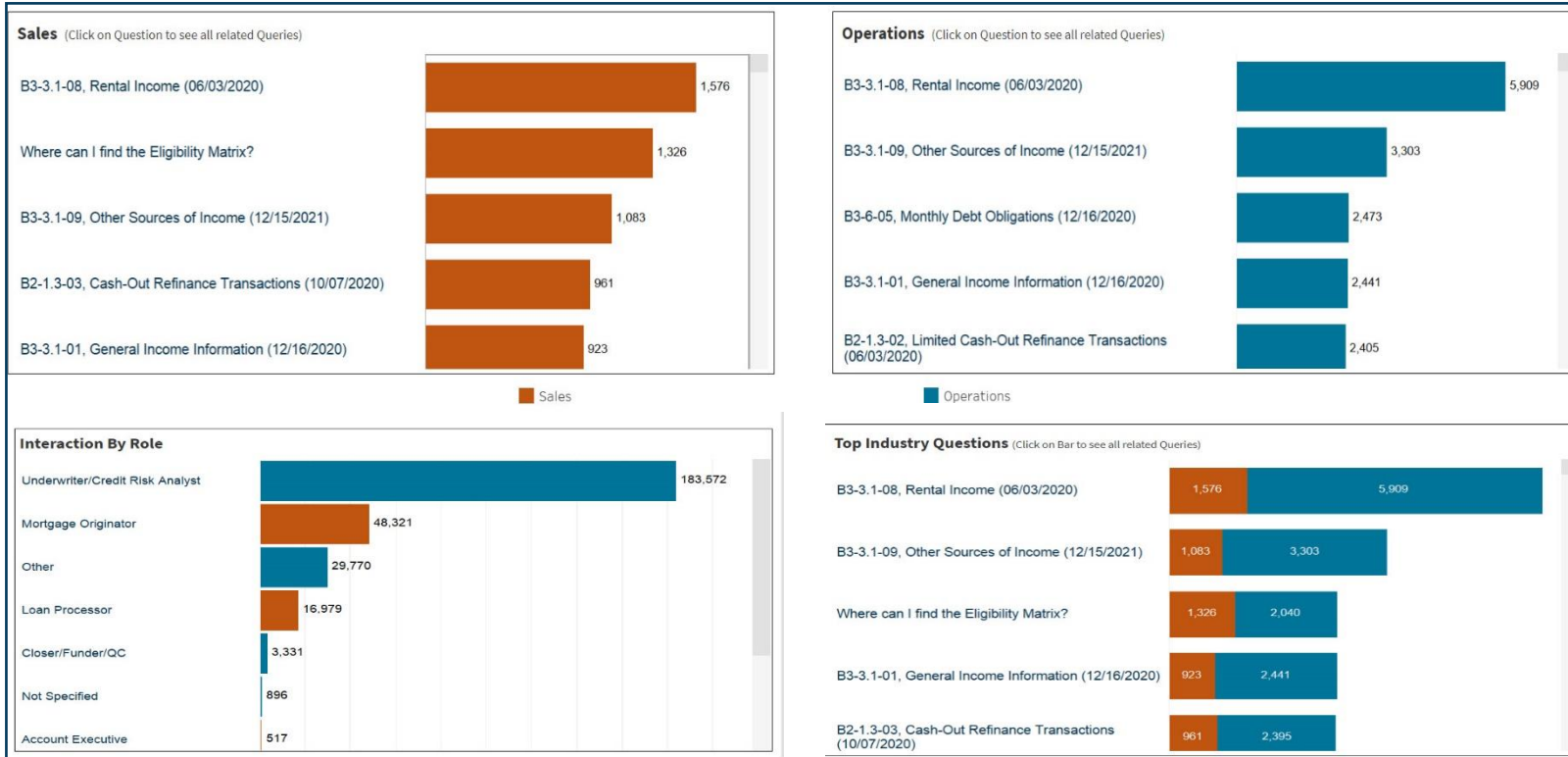
Lender Letter (LL-2021-03)

Updated: Feb. 15, 2023

**To: All Fannie Mae Single-Family Sellers
Impact of COVID-19 on Originations**

The policy for sale of loans aged six months or less is now permanent policy. This will be incorporated into the *Selling Guide* in a future update. Effective immediately, we are retiring the verification of employment and temporary eligibility requirements for purchase and refinance transactions policies. All standard *Selling Guide* policies now apply.

Fannie Mae Connect™ - Ask Poli® Selling Insights Dashboard



The Ask Poli Selling Insights Dashboard can be found in Fannie Mae Connect. This is a great source to see what questions are being asked.


The February '22 Quality Insider has more information about this resource.

Mortgage Fraud Prevention


Red flags & helpful tools

These resources will help you notice patterns and circumstances related to fraud. Use these tools to detect, protect from, and deter criminal activities.

Common red flags

[About common red flags](#) 

[High-level red flags](#) 

[Mortgage application](#) 

[Sales contract](#) 

[Credit report](#) 

[Employment and income documentation](#) 

Fraud Alerts, best practices, fraud trends, red flag messages, training, and more are located on this page

This Information is available on the Fannie Mae Fraud Prevention page:

<https://singlefamily.fanniemae.com/mortgage-fraud-prevention>



Borrower Income Concerns on Southern California TPO Loans



Fannie Mae's Mortgage Fraud Investigations unit alerts the industry to potential and active mortgage fraud scenarios.

This alert addresses loans originated by third-party originators (TPOs) primarily in Southern California.

We have observed misrepresented incomes in a compilation of loans that were originated by TPOs based in Southern California over the past several months.

Specific hallmarks of the loans in question include:

- Borrowers are employed in service industries such as nail salons, small retail businesses, transportation/delivery businesses, and repair service businesses;
- Borrowers have generic titles such as "manager";
- Large, often multiple, gifts are used toward the purchase;
- Gift fund letters are noticeably altered (e.g., identical letters with only the amounts altered using correction fluid);
- The borrower's income, while verified by the employer, does not appear reasonable given the industry, years of experience, and/or role;
- Employer business revenue, per public-record sources, does not appear to support the purported borrower income;
- Employment and income verifications are provided from private email accounts, such as Gmail or Hotmail, and telephone numbers for verifications are often personal phone numbers.

What can lenders do?

Refer to the [Best practices for income and employment verifications](#) (published on 9/16/20) for further guidance on lender due diligence and common red flags.

Self Assessment Tools

PREVIOUS

- ◆ Internal Audit
- ◆ Loan Data and Documentation Delivery
- ◆ Mortgage Electronic Registration Systems
- ◆ **Quality Control**
- ◆ Third-Party Originations
- ◆ Vendor and Third-Party Oversight

SELF-ASSESSMENT QUALITY CONTROL

Quality Control

We really care about quality control and feel like we do a pretty good job of it. But we know QC can always be better, and we want to revisit our QC plan. We want to put everything on the table – maybe even consider outsourcing some of our QC functions that we’ve always done in-house. There’s a lot to consider. Where should we start? Are there recommended ways to identify gaps in our current processes?

[DOWNLOAD CHECKLIST](#)

These self-assessments are available here:

[Fannie Mae Seller/Servicer Risk Self-Assessments](#)

Fannie Mae has a wide range of self-assessment tools to give guidance around many topics such as:

- Internal Audit
- Third-Party Originations
- Quality Control
- Vendor and Third-Party Oversight
- Change Management

Defect Rate

Senior management has established and proactively manages to a target defect rate and ensures that:	Notes
<input type="checkbox"/> We have a target defect rate, at a minimum, for the highest severity level for our random, post-closing QC samples and documented rationale for establishing the target rate.*	
<input type="checkbox"/> We review (at least annually*) our target defect rate to ensure it continues to meet our credit risk needs and is aligned with our loss reserves.	
<input type="checkbox"/> We understand the benefits and issues associated with: <ul style="list-style-type: none"> • Reporting a gross defect rate. • Reporting a net defect rate. 	
<input type="checkbox"/> We have a set of standards for loan quality, including a methodology for categorizing loan defects based on severity; our highest level of severity is assigned to defect categories that result in the loan not being eligible as delivered to Fannie Mae.*	

An effective way to establish loan quality targets is to model the financial exposure created at a certain defect level. The concept of “zero defects” generally will be considered challenging to achieve, and Fannie Mae does not evaluate lenders by a zero-defect-rate standard. We expect lenders to set defect rate targets as reasonably low as possible based on a formal cost-benefit analysis of meeting that target. We then expect lenders to demonstrate to us how they are managing loan quality to meet their established target.



Q&A

Thank You



Thank you for attending today's session.



Please take the time to take the survey after today's session.



For any questions, please reach out to us at
LQCS_Customer_Support@fanniemae.com