

# 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 **September 4, 2025**; subject to change.

## Loan Defects

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



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



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



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



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



<b>Legal/ Regulatory/ Compliance</b>	Anti-Predatory Lending Violation	<ul style="list-style-type: none"> <li>• Amortization Ineligible</li> <li>• Home Ownership and Equity Protection Act Documentation Missing</li> <li>• Home Ownership and Equity Protection Act Violation – APR</li> <li>• Home Ownership and Equity Protection Act Violation – APR and Points and Fees</li> <li>• Home Ownership and Equity Protection Act Violation – Points and Fees</li> <li>• Maximum Points and Fees Exceeded – Third Party Notification of Violation</li> <li>• State Higher-Priced Mortgage Loan</li> <li>• Maximum APOR-APR Rate Spread Exceeded for ATR QM Covered Loans</li> <li>• Maximum APOR-APR Rate Spread Exceeded for ATR QM Exempt Loans</li> <li>• Maximum Points and Fees Exceeded for ATR QM Covered Loans</li> <li>• Maximum Points and Fees Exceeded for ATR QM Exempt Loans</li> </ul>
<b>Liabilities</b>	Liabilities Calculation/Analysis	<ul style="list-style-type: none"> <li>• Debts Not Paid Off</li> <li>• Monthly Payments Not Properly Calculated</li> <li>• Undisclosed Liability</li> <li>• Undisclosed Mortgage(s)</li> </ul>
	Liabilities Documentation	<ul style="list-style-type: none"> <li>• Alimony/Child Support Documentation Missing/Insufficient</li> <li>• Federal Installment Debt Requirements Not Met</li> <li>• Housing Payment Missing or Defective</li> <li>• Monthly Payment Amount Not Verified</li> <li>• Omission of Debts Documentation Missing/Insufficient</li> <li>• Taxes/Insurance/HOA Documentation Missing/Insufficient</li> </ul>
<b>Loan Documentation</b>	Application/Processing	<ul style="list-style-type: none"> <li>• AUS Findings Report Missing or Defective</li> <li>• Loan Application Missing or Defective</li> <li>• Sales Contract Missing or Defective</li> </ul>
	Closing Documentation	<ul style="list-style-type: none"> <li>• Closing Disclosure – Missing/Defective</li> <li>• Note Missing or Defective</li> <li>• Power of Attorney Requirements Not Met</li> <li>• Security Instrument Missing or Defective</li> <li>• Seller Settlement Statement Missing or Defective</li> <li>• Trust Documentation Missing or Defective</li> </ul>
	Loan File	<ul style="list-style-type: none"> <li>• Loan File Missing</li> </ul>
<b>Project Eligibility</b>	Project Documentation	<ul style="list-style-type: none"> <li>• Project Documentation – Missing or Incomplete</li> </ul>
	Project Eligibility	<ul style="list-style-type: none"> <li>• Full Review – Not Certified in CPM</li> <li>• Full Review – Project Delinquency</li> <li>• Full Review – Project Budget Requirements Not Met</li> <li>• Ineligible Project – Commercial Space</li> <li>• Ineligible Project – Condotel</li> <li>• Ineligible Project – Critical Repairs</li> <li>• Ineligible Project – Litigation</li> <li>• Ineligible Project – Other Charter Violation</li> <li>• Ineligible Project – Single Entity Ownership</li> <li>• Ineligible Project – Status of Unavailable in Condo Project Manager (CPM)</li> <li>• Presale &lt;50%</li> </ul>
	Project Review	<ul style="list-style-type: none"> <li>• Expired Project Review</li> </ul>



<b>Property Data Collection</b>	Property Data Collection – Data Integrity	<ul style="list-style-type: none"> <li>• Subject Above-grade Finished Area – Reported Inaccurately by Data Collector</li> <li>• Subject Age Reported Inaccurately by Data Collector</li> <li>• Subject Bedroom/Bath Count Reported Inaccurately by Data Collector</li> <li>• Subject Condition/Quality of Construction Reported Inaccurately by Data Collector</li> <li>• Subject Physical Features Reported Inaccurately – Other by Data Collector</li> <li>• Subject Site Characteristic(s) or Location Reported Inaccurately by Data Collector</li> <li>• Unfavorable Conditions Not Reported and/or Analyzed by Data Collector</li> </ul>
	Property Data Collection Requirements	<ul style="list-style-type: none"> <li>• Ineligible for Value Verify</li> <li>• Property Data Collection – Offer No Longer Valid</li> </ul>
<b>Property Eligibility</b>	Manufactured Housing	<ul style="list-style-type: none"> <li>• Ineligible Manufactured Housing – Addition or Structural Modification</li> <li>• Ineligible Manufactured Housing – Missing HUD Data Plate and/or Certification Labels</li> <li>• Ineligible Manufactured Housing – Single-width Manufactured Home</li> <li>• Ineligible MH Advantage – Failure to Meet Requirements</li> <li>• Ineligible MH Advantage – Missing HUD Data Plate, Certification Label or the MHA Sticker</li> <li>• Ineligible MH Advantage – Missing MHA Sticker</li> </ul>
	On-frame Modular Home	<ul style="list-style-type: none"> <li>• Ineligible On-frame Modular Home</li> <li>• Ineligible On-frame Modular Home – Neighborhood Non-conformity</li> </ul>
	Site and Utilities	<ul style="list-style-type: none"> <li>• Ineligible Property – Environmental Hazards</li> <li>• Ineligible Property – Inadequate Accessibility</li> <li>• Ineligible Property – Parcel Issues</li> <li>• Ineligible Property – Utilities</li> </ul>
	Subject and Improvements	<ul style="list-style-type: none"> <li>• Ineligible Property – Five or More Units</li> <li>• Ineligible Property – Safety, Soundness, and Structural Integrity</li> </ul>
	Zoning and Usage	<ul style="list-style-type: none"> <li>• Ineligible Property – Accessory Dwelling Unit</li> <li>• Ineligible Property – Non-Residential Use</li> <li>• Ineligible Property – Unacceptable Mixed Use</li> <li>• Ineligible Property – Zoning Non-compliance</li> </ul>
	<b>Value Acceptance + Property Data</b>	Value Acceptance + Property Data
<b>Title/Lien</b>	Title/Lien	<ul style="list-style-type: none"> <li>• Incorrect Legal Description (Origination)</li> <li>• Land Locked Parcel</li> <li>• Property Encroachment</li> </ul>
	Title/Lien Selling Violation	<ul style="list-style-type: none"> <li>• Loan Not in First Lien Position at Origination</li> </ul>