



## Private Mortgage Insurer Eligibility Requirements Guidance 2022-01

Guidance Effective Date: June 30, 2022, unless specified otherwise in each section below.

Pursuant to *Private Mortgage Insurer Eligibility Requirements* dated September 27, 2018 (*PMIERS*) *Fannie Mae* may, in its sole discretion, modify, waive, or amend any provision of the *PMIERS*. Further, *Fannie Mae* may issue guidance to each *approved insurer* to amend the *PMIERS* or to provide updates to or clarifications of *PMIERS* provisions (Guidance). Italicized terms in this Guidance have the meanings ascribed to them in the *PMIERS*.

Under FHFA's oversight and in coordination with *Freddie Mac*, *Fannie Mae* is issuing this Guidance amending Sections 103, 305, 502, & Exhibit B (Operational Performance Scorecard) of the *PMIERS*. This Guidance supplements the *PMIERS*, including *PMIERS* Guidance 2021-01, and, unless expressly noted below, it is not intended to supersede existing requirements. To the extent there is a conflict between this Guidance and the *PMIERS*, this Guidance shall control. This Guidance will be incorporated into the next published version of the *PMIERS*.

### I. Corporate Governance – Board of Directors

The final paragraph in Section 103 (*Ownership/Corporate Governance*) of the *PMIERS* starting with “An *approved insurer* must also meet the following requirements:” is deleted in its entirety and permanently replaced with the following:

An *approved insurer* must also meet the following requirements:

- 1) The *approved insurer* must document and maintain evidence supporting its having met the requirements of 1) and 2) above and its procedures for certification thereof, and share such evidence with *Fannie Mae* upon *Fannie Mae*'s request. The *approved insurer* must provide *Fannie Mae* immediate notice of any failure to meet the requirements of 1) or 2) above without assessing or making a determination as to whether the failure to meet is *material*.
- 2) Regardless of ownership or control of the *approved insurer*, no *officer*, director, employee, or any other person that is a representative of a *mortgage enterprise* or *affiliate* thereof, may sit on the Audit, Risk Management, or Compensation committees of the Board of Directors of an *approved insurer* or the Audit, Risk Management, or Compensation committees of the Board of Directors of an *approved insurer*'s parent, holding company, or other company having a) direct control, b) indirect control, or c) 50% or greater ownership, of the *approved insurer*, unless all the following conditions are met regarding the subject *mortgage enterprise* or *affiliate* thereof:
  - a) In the aggregate, loans sourced or originated from the subject *mortgage enterprise* and any *affiliate* of the *mortgage enterprise* do not represent more than 2.5% of an *approved insurer*'s new insurance written in any calendar year; and
  - b) In the aggregate, loans sourced or originated from the subject *mortgage enterprise* and any *affiliate* of the *mortgage enterprise* do not represent more than 2.5% of an *approved insurer*'s insurance in force at the end of any calendar year; and



- c) The board member recuses herself or himself from any board discussion, decision or vote that i) uniquely involves the *mortgage enterprise* or any *affiliate* of the *mortgage enterprise*, or ii) provides a pricing, underwriting, or eligibility accommodation or any other adjustment for the *mortgage enterprise* or any other *affiliate* of the *mortgage enterprise* that is not generally available to all other lenders approved to do business with the *approved insurer*; and
- d) An *approved insurer* notifies *Fannie Mae* within 30 days of the appointment to or removal from the aforementioned board committees of a member with an affiliation to a *mortgage enterprise*, tracks its compliance with these conditions, and confirms that *approved insurer* has met the requirements of this Section as part of its annual certification pursuant to Section 802 and Exhibit E.

## II. **Foreclosure Bidding Instructions**

Section 305 (*Master Policies*) of the *PMIERS* is permanently amended to add the following between the second and third paragraphs of the Section:

In addition, *approved insurers* must defer to *Fannie Mae*'s foreclosure bidding instructions in connection with all loans owned, guaranteed and/or securitized by *Fannie Mae* that have loan application dates on or after October 1, 2014, and are *insured* by the *approved insurer* under one or more *master policies* for the benefit of *Fannie Mae*, whether or not *Fannie Mae* is the named *insured* under such policies.

This may be accomplished directly in the *master policies* by endorsement to the *master policies*, or by written agreement approved by *Fannie Mae* in which the *approved insurer* delegates authority to *Fannie Mae* relating to foreclosure bidding instructions. If the deferral is accomplished by written agreement, it must apply and prevail over any provisions of the *master policies* to the contrary. Regardless of how the deferral is accomplished, it may not be terminated except with *Fannie Mae*'s prior written consent.

The *approved insurer* must include requirements in its servicing guide for those loans for which a GSE is the beneficiary of the coverage that the servicer must follow the GSE's foreclosure bidding guidelines in effect at the time a loan is foreclosed upon.

## III. **Post-Closing Review – Appraisal Re-verification**

Section 502 (Post-Closing Review) of the *PMIERS* is permanently amended by deleting subsections 3) and 4) and replacing them with the following:

- 3) A collateral assessment of all appraisals in the QC review random loan sample consisting, at a minimum, of the following:
  - a. determine that a property meets eligibility requirements,
  - b. assess appropriateness of comparable sales,
  - c. assess appropriateness of the data presented in the appraisal report, and
  - d. conclude the rationale for the reconciliation of value is supported.



The person conducting the collateral assessment must be qualified in performing the types of collateral analyses described above.

- 4) The re-verification of the following information:
  - a. Income,
  - b. Employment,
  - c. Assets to meet closing and reserve requirements,
  - d. Credit reports, and
  - e. Occupancy.

If reasonable attempts to re-verify this information are made without success, the *approved insurer* must document such attempts in its QC records for the applicable loan. For purposes of re-verification, use of *automated tools* is permitted.

The *approved insurer* is not required to re-verify any component of the loan file if: (i) the component has been validated by an *automated tool* in compliance with Section 404; and (ii) there is acceptable evidence of the validation in the loan file.

#### IV. **Exhibit B - Operational Performance Scorecard – Rescissions and Denials**

PMIERS Exhibit B (Operational Performance Scorecard) is permanently amended by revising Data Element #14 and adding Data Element #14d on the Scorecard Data Template tab, and by amending Scorecard line item #5 and Note #2 to the Data Dictionary tab, all as summarized below:

Scorecard Data Template		
Data Element #	Data Element/ Metric	Description
14	Rescission Rate %	GSE-specific Rescissions of Decided Claims # (14a), plus Pre-claim Rescissions of Pre-Claim NPL Reviews # (14b), divided by the sum of Decided Claims # (14c) and Completed Pre-Claim NPL Reviews # (14d). (See footnote example in Data Dictionary.)
14d	Completed Pre-Claim NPL Reviews #	GSE-specific count of completed pre-claim non-performing loan (NPLs) reviews conducted to determine any signification defects in the 18 months prior to the reporting date. Non-performing loans are insured loans that have more than one missed monthly payment.
Data Dictionary Tab		
Scorecard line Item	Scorecard Metric	Definition



5	Rescission Rate %	(Sum of # Rescissions during the 18-month period prior to the reporting date with a claim submission date in the 12-month period ending 6 months prior to the reporting date + # Pre-Claim NPL Rescissions during the 18 months prior to the reporting date) / (sum of # Decisioned Claims submitted to the MI in the 18-month period prior to the reporting date that had a claim submission date in the 12-month period ending 6 months prior to the reporting date + # of completed Pre-Claim NPL Reviews during the 18 months prior to the reporting date.) <sup>2</sup>
Notes	2	For example: 10 rescissions were completed in 2Q 2021 and 3Q 2021 on 100 claims submitted in the 12 months ending at the end of 1Q 2021; and 5 Pre-claim rescissions were completed on 500 completed pre-claim NPL reviews during the 18 months ending at the end of 3Q 2021. Rescission Rate would be $(10+5)/(100+500) = 15/600 = 2.5\%$ .

A copy of the amended Exhibit B is attached to and forms part of this Guidance.