



Fannie Mae™

Fannie Mae Offerings

Mountain Plains Housing Summit
2016

Caroline Wessling





Fannie Mae is committed to helping more creditworthy home buyers qualify for a mortgage

Goal: Make Mortgages More *Accessible, Affordable and Sustainable*

- Product Enhancements
- Technology
- Other Tools and Resources



Partnering with housing finance agencies to support affordable housing in their communities.



Fannie Mae is proud of our long-standing partnership with our HFA customers.

- Unique program offerings for over 10 years
- HFA Preferred™ product suite
 - Introduced in 2012
 - Adopted by over 40 HFAs
 - Over \$10B in deliveries and counting
 - Continuous enhancements based on your feedback



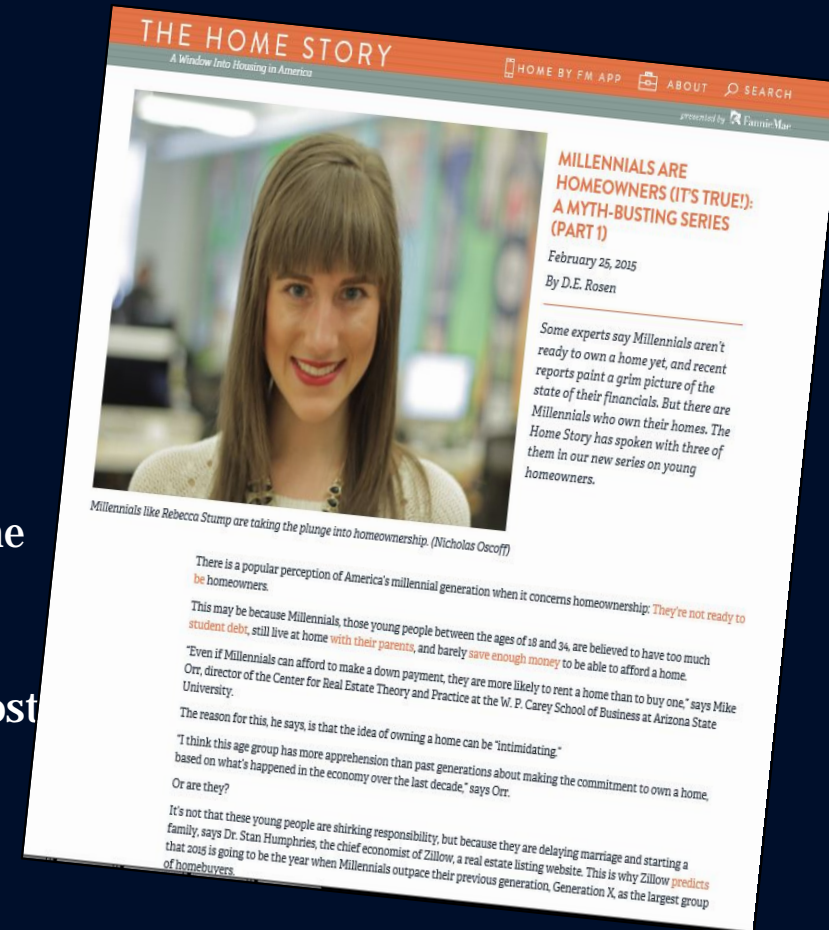
HFA Preferred Product Features

- **Most flexible 97% LTV option**
- **Lowest / No MI requirement**
- **Allows for nontraditional credit.**
- **Allows for HFA income limits**
- **Allows for HFA homebuyer education requirements**
- **Gifts, grants, Community Seconds[®], and cash-on-hand permitted as a source of funds for down payment and closing costs.**
- **Allows manufactured housing and HomeStyle[®] Energy up to 95%.**



Opportunities Ahead

- Millennials will enter homebuying market in increasing numbers
- New household growth driven by traditionally underserved segments
- Household growth is projected to rebound over the next 5 years
- Minorities expected to continue to account for most household growth



Fannie Mae's Economic and Strategic Research group reports a “demographic sea change” in the housing market, characterized by the rise of the Millennials, increased diversity, and a growing elderly population; and new household growth is being driven by traditionally underserved segments.



New Borrower Income Flexibilities

Non-borrower household income	<ul style="list-style-type: none">▪ Non-borrower household member is not on the loan▪ Non-borrower household member lives in the home▪ May be considered as a compensating factor in DU® only▪ NOT part of qualifying income
Non-occupant borrower	<ul style="list-style-type: none">▪ Borrower is on the loan▪ Non-occupant borrower(s) income is included in qualifying income▪ Consider income, assets, credit, and liabilities▪ DU LTV up to 95%; manual underwriting LTV up to 90%▪ Must meet income eligibility requirements▪ <i>No limitation on ownership of other property for non-occupant borrowers</i>

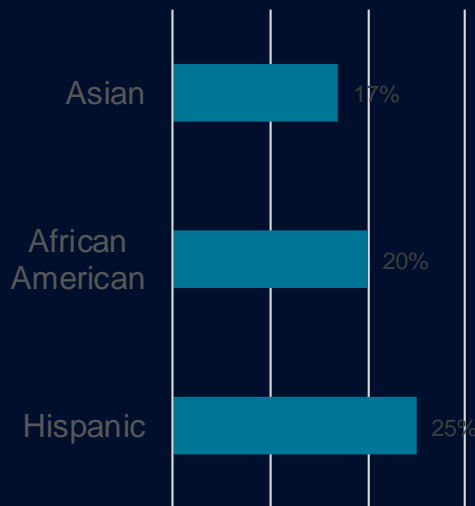


Extended-Income Households

Extended-household living arrangements are more common among underserved populations, including low- to moderate-income, minority, and immigrant households.



Percentage of EIHs by Race/Ethnicity



- These households often have lower incomes overall, compared with a broader population, and that may impact their access to credit – but many also are “extended-income households” or EIHs.
- EIH recognizes the growth of extended-family living arrangements by allowing the existence of non-borrower household income to be considered.
- NAR* reports 13% of home purchases in 2015 were by a multigenerational household.

* National Association of Realtors *2015 Home Buyer and Seller Generational Trends Report*





Extended-Income Household Sample Scenario


 **Borrower's Income**
\$6,000/month


Borrower's Liabilities
\$2,820/month

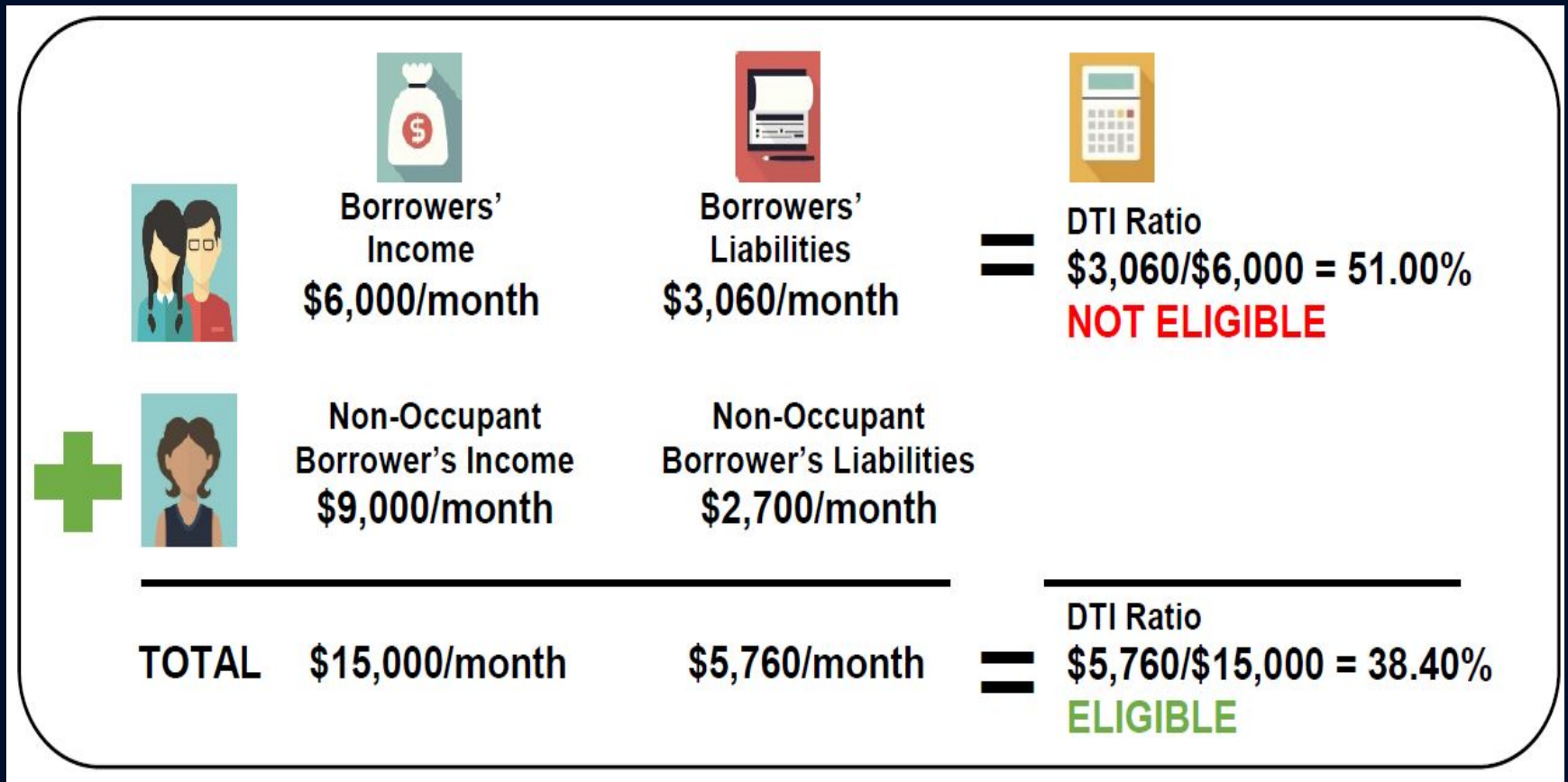
= **DTI Ratio**
= \$2,820/\$6,000 = 47%
NOT ELIGIBLE

  **Existence of \$2,000/month in Non-Borrower Household Income (33.33% of the borrower's qualifying income)**

= **DTI Ratio remains the same**
= \$2,820/\$6,000 = 47.00%
ELIGIBLE



Non-Occupant Borrower Sample Scenario





New Borrower Income Flexibilities (Continued)

Boarder income

- Permissible with 1-unit properties only
- Boarder income (relatives or non-relatives):
- Up to 30% of qualifying income
- Rent paid monthly from someone in shared living quarters

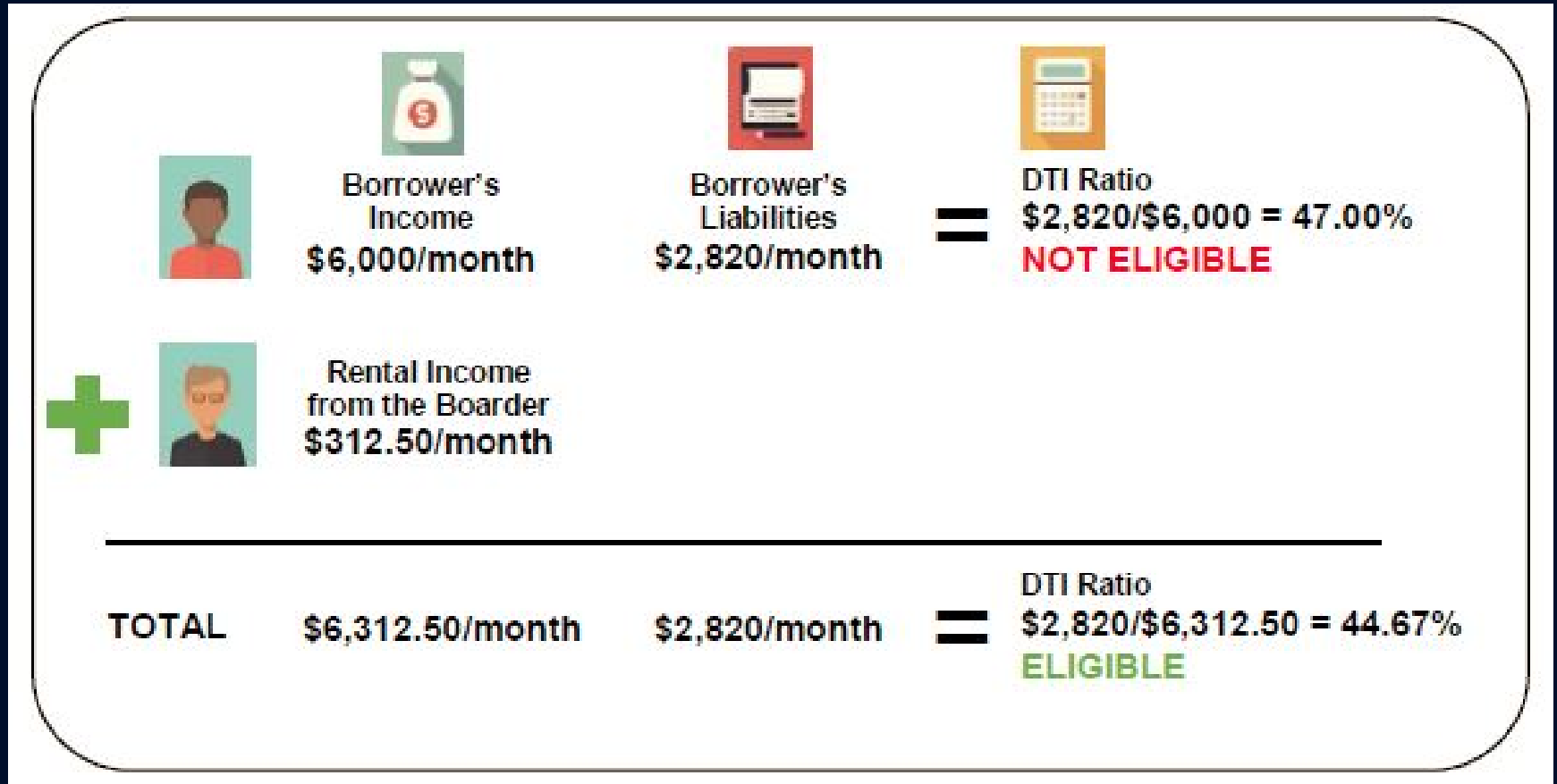
Rental income from an accessory unit

- Rental income from a 1-unit property with an accessory unit may be used as qualifying income.
- Rent is paid monthly
- Rent from a separate dwelling unit (as identified by the appraisal) with a kitchen and a bathroom
- Note: Accessory unit income added as a new Other Income Type in DU (used in qualifying).

- **Rental Income:** The home being purchased is a 1-unit property that has a basement apartment, which includes a functioning kitchen and bathroom, that can be rented out.
- **Boarder Income:** A roommate has been sharing living quarters with the borrower for the past 12 months and plans to live in the newly purchased home.








Boarder Income Sample Scenario



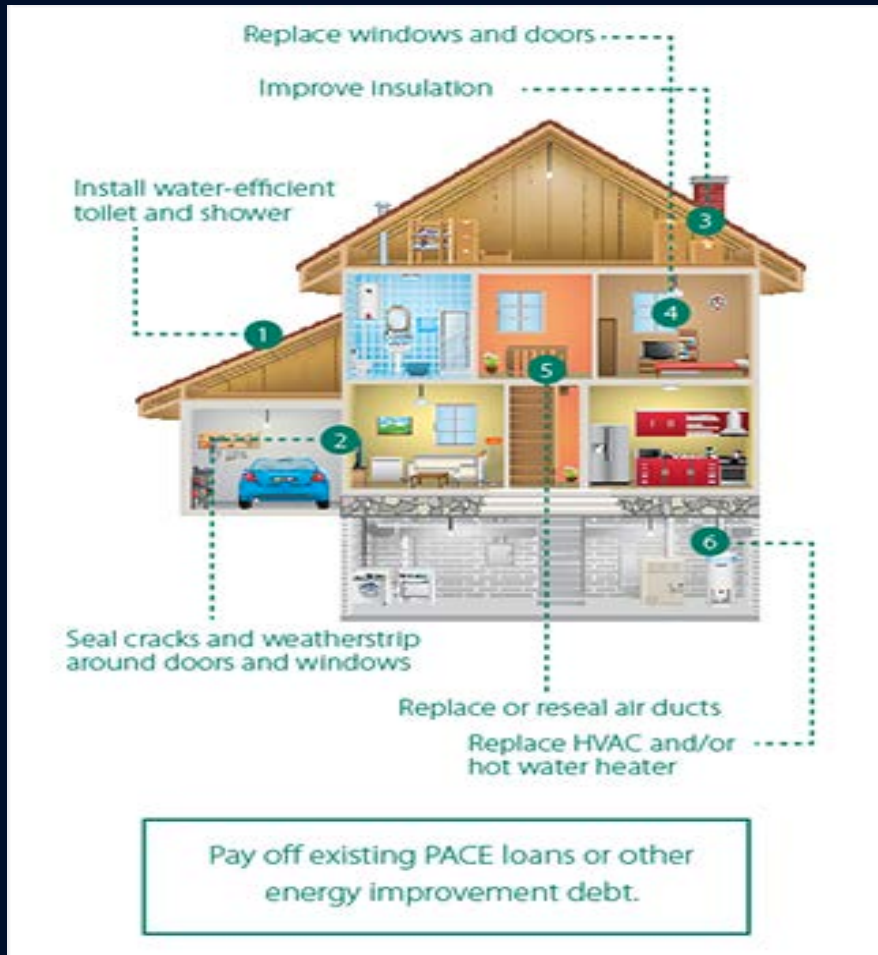


Rental Income Sample Scenario

					
	Borrowers' Income \$6,000/month		Borrowers' Liabilities \$2,820/month	=	DTI Ratio \$2,820/\$6,000 = 47.00% NOT ELIGIBLE
+		Rental Income from the Accessory Unit \$412.50/month			
<hr/>					
TOTAL	\$6,412.50/month		\$2,820/month	=	DTI Ratio \$2,820/\$6,412.50 = 43.98% ELIGIBLE



HomeStyle® Energy



- Pay off higher-interest energy improvement debt including Property Assessed Clean Energy (PACE) loans
- Finance up to 15% of the as-completed appraised property value
- Finance up to \$3,500 in weatherization or water-efficient improvements with no energy report
- No approvals needed
- Can be used with HFA Preferred up to a 95% LTV
- <https://www.fanniemae.com/singlefamily/homestyle-energy>



Tools to Effectively Manage Risk

- **Desktop Underwriter® (DU)** – the leading automated underwriting platform in the industry
 - DU 10.0 release in June
- **Early Check™** – provides access to Fannie Mae delivery edits to assist lenders in identifying and correcting potential eligibility and/or data issues early in their processes and prior to loan delivery
- **Collateral Underwriter® (CU™)** – Proprietary appraisal review application developed by Fannie Mae to support proactive management of appraisal quality.
 - Gives lenders access to the same appraisal review tool that Fannie Mae uses, at no additional cost.
 - Appraisal sharing in CU coming in May!



Trended Credit Data DU 10.0 Coming June 25, 2016

WHAT IS TRENDED CREDIT DATA? Trended credit data is expanded information on a borrower's credit history at a trade line (credit line) level on several monthly factors, including: amount owed, minimum payment, and payment made.



Maria **pays her balance off monthly** or at least pays more than the minimum amount due



John **makes only the minimum payment due almost every month**



Assuming John and Maria's credit histories and loan characteristics are otherwise about the same, **Maria will be considered a lower credit risk in DU's risk assessment.**



What's Changing?

WHY DOES THE USE OF TRENDED CREDIT DATA MATTER?

Trended data:



allows a smarter, more thorough analysis of the borrower's credit history



helps creditworthy borrowers obtain access to mortgage credit and sustainable homeownership

HOW WILL TRENDED CREDIT DATA IMPACT DU VERSION 10 APPROVALS?

Including trended credit data will:



improve the accuracy of DU's credit risk assessment



benefit borrowers who regularly pay off their revolving debt

The overall percentage of loans that receive an Approve/Eligible recommendation is expected to remain relatively stable.

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Fannie Mae considers a number of factors in determining eligibility for its acquisition of loans, including, but not limited to, the borrower's credit score, LTV ratio, DTI ratio, cash reserves, property type, and loan type, as detailed in its Selling Guide. Learn more about trended credit data and Desktop Underwriter Version 10.0.



Value & Benefits of Collateral Underwriter (CU)

CU provides lenders with additional transparency and certainty by providing access to the same appraisal data and analytics used in Fannie Mae's quality control framework.

- ❖ **QUALITY:** Appraisal feedback at point of appraisal submission allows lenders to proactively address potential valuation issues and improve overall manufacturing quality.
- ❖ **EFFICIENCY:** Segmenting appraisals by risk profile facilitates more efficient resource allocation and workflow management.
- ❖ **ROBUST DATA & MODEL-DRIVEN RESULTS:** UAD data collected through UCDP provides nationwide coverage, standardized formatting, and up-to-date sales activity. Rather than rely on arbitrary guidelines, CU produces market-specific, model-driven results.
- ❖ **DYNAMIC FUNCTIONALITY:** CU's user interface includes comparable sales data, market trends, mapping, aerial photography, public records, and other functionality to assist with manual review of the appraisal.



The main appraisal page includes a comparable sales map, message center, details for the appraiser-provided comps, and links to additional information and functionality.

Comparable Sales Map

CU Score and Risk Flags

Message Center

- The Collateral Underwriter Risk Score is 5 on a scale of 1 to 5 where 5 indicates highest potential collateral risk.
- There is a heightened risk of appraisal quality issues.
- There is a heightened risk of overvaluation.
- There are 2 adjustment messages for this appraisal.
- There are 1 comparable selection messages for this appraisal.
- There are 1 data discrepancy messages for this appraisal.
- There are 2 Fannie Mae Proprietary Messages for this appraisal.

Appraiser-provided comparables

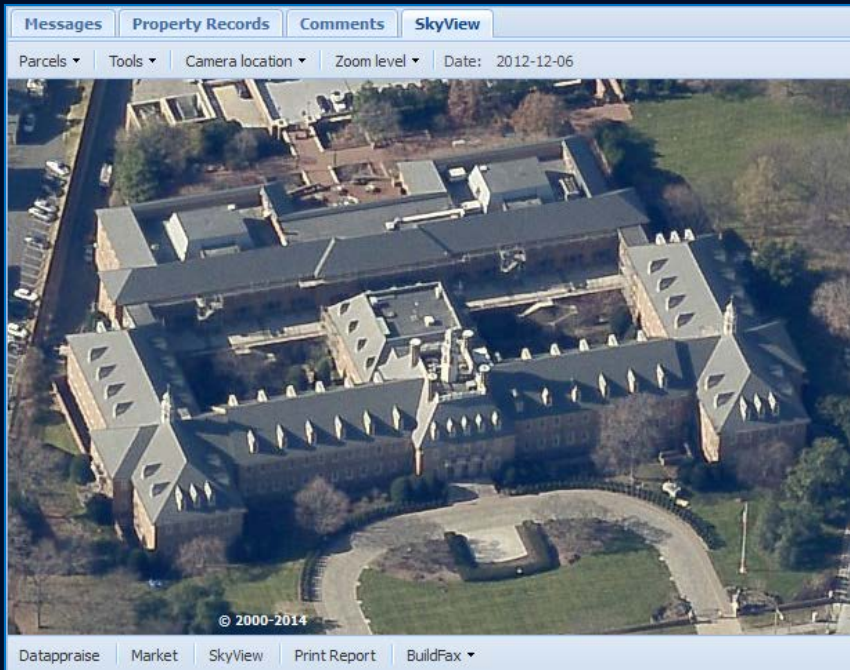
Subject and comp characteristics

Comparable Rank

Appraisal	#	Type	Address	Age	Lot	GLA	Bd	Bth	Bsmt t	Bsmt f	Pk	C	Q	V	L	Rd	GD	Date	Amount	Adjusted	Rnk
S	.	RF	XXXX E Mitchell Dr, ANYTOWN, USA 12345	65	7527	1138	2	1	0	0	1	4	4	N	N	2	.	2014-05	\$214,000	\$214,000	.
AS	1	AL	XXXX E Pinchot Ave, ANYTOWN, USA 12345	67	8455	1014	2	1	0	0	0	3	4	N	N	2	0.56	2014-04	\$215,000	\$215,500	9
AS	2	AL	XXXX E Mulberry Dr, ANYTOWN, USA 12345	64	7924	1404	3	2	0	0	2	4	4	N	N	2	1.45	2014-04	\$225,000	\$222,500	37
AS	3	AL	XXXX E Mulberry Dr, ANYTOWN, USA 12345	67	7854	1492	2	2	0	0	1	4	4	N	N	2	1.41	2014-03	\$215,000	\$217,000	41
AS	4	AL	XXXX E Cheery Lynn Rd, ANYTOWN, USA 12345	65	7275	1462	3	2	0	0	1	4	4	N	N	2	0.48	2014-03	\$234,000	\$230,000	18
AL	5	LI	XXXXN 21st Pl, ANYTOWN, USA 12345	64	7902	1246	3	1	0	0	1	4	4	N	N	2	0.29	.	\$215,000	\$230,500	.

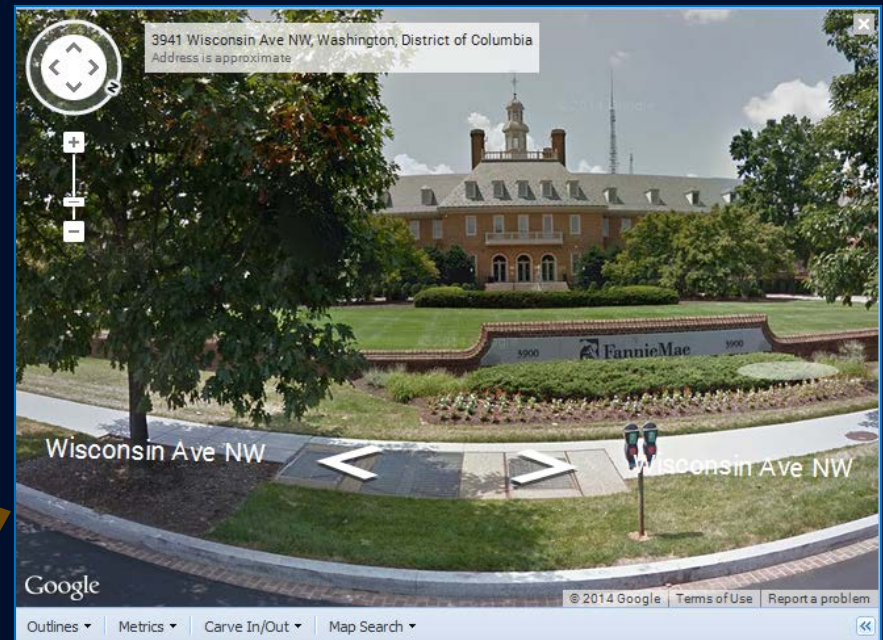


Users can easily access aerial and street-view photography from the appraisal page with a simple point-and-click of the subject or any comparable on the CU property map.



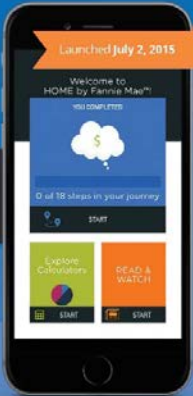
CU provides a birds-eye view of the subject and comparables. Users can easily move between properties, rotate camera angle, zoom-in/zoom-out, etc.

Street view imagery for the subject or any comparable can be accessed through the CU interface.





HOME by Fannie Mae™



HOME by Fannie Mae™

Share this resource with buyers to help them learn about the responsibilities of homeownership.

The app supports access to homeownership in partnership with:

- Lenders
- Industry partners
- Real estate professionals
- Housing counselors
- Housing finance agencies & more

The HOME by Fannie Mae app guides prospective homebuyers through their journey to homeownership with interactive features that include:

- ✓ Dashboard and personal checklist to track the homebuying process
- 📍 Housing and Urban Development counselor locator tool
- 📊 Financial calculators to estimate affordability, payments, and savings
- 📄 Articles, videos, and more

Available on **iOS & Android** platforms

Visit KnowYourOptions.com/homeapp for more information.
Questions? Email homeapp_feedback@fanniemae.com.

FannieMae

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- New Fannie Mae free, interactive consumer app created to support access to homeownership
- Informs prospective homebuyers on the home buying process
- Includes dashboards, checklists, financial calculators, videos and more

<https://www.fanniemae.com/singlefamily/homeapp>

[Watch the video](#)





Spanish Language Resources for Lenders

Use these resources to better support your Spanish-speaking customers.



- Spanish and English versions of many loan origination documents side-by-side
 - Loan application
 - Loan estimate
 - Verification forms
 - Closing disclosure
 - Security instruments
 - Links to outreach materials in Spanish
- Customizable sample notice to borrowers to help consumers understand that the mortgage transaction will be conducted in English

<https://www.fanniemae.com/singlefamily/spanish-resources-for-lenders>



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Our team is here to serve you!



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#HFAPreferred
#creatingopportunities