Your business, better.

Nebraska Investment Finance Authority – Lender Meetings
October 17-18, 2016

While every effort has been made to ensure the reliability of the session 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 this seminar and the Guides.
Agenda

- Hear what’s new
- Learn more about our affordable lending products
- View tools & resources to reach more home buyers
- Get answers to your questions
Hear what’s new from Fannie Mae

Different and stronger company

Working with our partners to drive transformative changes

Making continuous enhancements

Focused on enhancing reliable, end-to-end solutions

We have fundamentally changed the way we do business in ways that make Fannie Mae and housing finance stronger.
Making Mortgage Credit

Accessible
Helping creditworthy home buyers qualify for a mortgage

Affordable
Limiting the up-front and monthly cost of mortgages

Sustainable
Supporting the long term success of home buyers
Growing Demand for Home Purchases

- Millennials will enter the housing 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.
Affordable Lending Mortgage Products

Explore your options
- Available affordable option - HFA Preferred™

High-level benefits
- Low-down payment - minimum down payment of 3%
- Re-tooled to be cheaper and easier to use
- Allows for cash gifts for down payments
- Underwriting and eligibility guidelines are straight-forward
- Only 30-year fixed rate mortgages* are allowed - primary residence
- Borrowers are required to verify income and employment; the program can be used to refinance a home
- Reduced private mortgage insurance (PMI) requirements
HFA Preferred™ is Fannie Mae’s affordable lending product available exclusively to eligible HFAs to serve low- to moderate-income borrowers. Underwriting flexibilities and features include:

- **Loan-to-value (LTV) ratio up to 97%** - NIFA requires all borrowers to be first-time homebuyers with some exceptions
- **Reduced MI coverage with no loan-level price adjustment (LLPA)**
- **Borrower income limits set by the HFA**
- **Home buyer education** requirements established by HFA
- **1-to 4-units** **principal residence**, including eligible condos
- **New underwriting flexibilities** **permitted** (non-occupant borrowers and rental income from accessory dwelling units (follows HomeReady® requirements)

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**HomeReady®/HFA Preferred™ Product Enhancements:** allowing the occupant borrower on loan to own other residential properties

*Selling Guide Announcement SEL-2016-06*

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*HFA Preferred™ products are variances to our HomeReady® product, refer to the HomeReady® sections of the Selling Guide (refer to section B5-6) when reviewing Fannie Mae’s eligibility and underwriting requirements. **Not currently offered by all HFA programs. **Permitted by master servicer (US Bank); always adhere to their overlays when underwriting HFA Preferred™ loans.*
## New Underwriting Flexibilities Highlights

### Non-occupant borrower
- 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
- No limitation on ownership of other property for non-occupant borrowers

### 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 example: 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.*

**NOTE:** Border Income and/or Extended Household Income is *not permitted* by US Bank.

**Example of Non-Occupant Borrower(s):** A young couple is buying a home. His parents are willing and able to be borrowers on the loan, but they will not live in the home. With HomeReady® (and HFA Preferred™), the parents’ income will be considered in meeting income eligibility requirements (based on the property location); their income, assets, credit, and liabilities are considered in underwriting; and their income is considered in calculating the DTI ratio.
Conventional Mortgage Products: Borrower Benefits

- **Low Down Payment**: 3%
- **Low MI Requirements**
- **Cancellable Mortgage Insurance***

*Restrictions apply. See Fannie Mae Selling Guide for additional details (Sections: B5-6-04, B7-1-02, B-8.1-04)

**Estimated savings (using HFA Preferred product):**
- $63.00 per month (using financed single premium)
- $756.00 annually
- $3,780 savings for 5 years
- MI may be cancelled after loan reaches 78% LTV

**LTV for Terms >20 Years**

<table>
<thead>
<tr>
<th>LTV</th>
<th>Standard</th>
<th>HomeReady</th>
<th>HFA Preferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>95.01 – 97.00%</td>
<td>35%</td>
<td>25%</td>
<td>18%</td>
</tr>
<tr>
<td>90.01 – 95.00%</td>
<td>30%</td>
<td>25%</td>
<td>16%</td>
</tr>
<tr>
<td>85.01 – 90.00%</td>
<td>25%</td>
<td>25%</td>
<td>12%</td>
</tr>
<tr>
<td>80.01 – 85.00%</td>
<td>12%</td>
<td>12%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Example/Assumptions: $130,000 Purchase Price, 680 FICO, FHA rate 3.5%, Conventional rate 4.0%, Home appreciation 3%; taxes and insurance not included.
# A Closer Look – Product Comparison

<table>
<thead>
<tr>
<th>Loan-Level Price Adjustments (LLPAs)</th>
<th>HFA Preferred™</th>
<th>HomeReady®</th>
</tr>
</thead>
<tbody>
<tr>
<td>• No standard LLPAs</td>
<td></td>
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<tr>
<td>• No LLPA for minimum MI coverage</td>
<td></td>
<td></td>
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<tr>
<td>• Limited LLPAs</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Income Limits</th>
<th>HFA Preferred™</th>
<th>HomeReady®</th>
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</thead>
<tbody>
<tr>
<td>• Higher HFA Limits</td>
<td></td>
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<tr>
<td>• 100% of area median income (no limit in low-income census tracts)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Home Buyer Education</th>
<th>HFA Preferred™</th>
<th>HomeReady®</th>
</tr>
</thead>
<tbody>
<tr>
<td>• HFA requirements</td>
<td></td>
<td></td>
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<tr>
<td>• Required on all loans</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MI Coverage</th>
<th>HFA Preferred™</th>
<th>HomeReady®</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reduced MI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Standard coverage (capped at 25% for LTVs &gt;90%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ability to Repay</th>
<th>HFA Preferred™</th>
<th>HomeReady®</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Exempt (5% points and fees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Non-exempt (3% points and fees)</td>
<td></td>
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</tbody>
</table>

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Success Stories in Nebraska

This nurse had student and car loans, and medical debts in the past. Working with a Housing Finance Agency, he was able to purchase a home with just 3% down.

- Annual Income: $47,000
- Debts: $$$
- Purchase Price: $128k
- 97% LTV
- HFA Preferred™ Mortgage

This couple, both employed in customer service, had some debt and generally paid their obligations on time. They were able to purchase a home for their family with an HFA Preferred loan.

- Annual Income: $65,000
- Debts: $$
- Purchase Price: $135k
- 97% LTV
- HFA Preferred™ Mortgage

This single mother had struggled with bills in the past but worked to improve her credit. With negligible non-mortgage debt and income from her maintenance job at a hospital, plus a second job, she was able to save for a home for her family of five.

- Annual Income: $24,000
- Debts: none
- Purchase Price: $94k
- 97% LTV
- HFA Preferred™ Mortgage
Power your entire mortgage business—
from underwriting to delivery to servicing.

Increase Certainty • Increase Efficiency • Increase Opportunity
Fannie Mae Technology Solutions – Your business, better.

Reliable, end-to-end solutions that deliver improved loan quality, business efficiency, and profitability.
Underwrite Quality Loans Efficiently

**DO®** and **DU®** - Leading automated underwriting system/underwrite quality loans efficiently

**DU® Is Getting Even Better**

- DU 10.0 released weekend of 9/24/16
- A new scorecard that better predicts risk
- Automates underwriting of loans for borrowers with no traditional credit
- Automates the underwriting for borrowers with multiple financed properties
Enhanced Credit Risk Assessment

DU considers the following characteristics in the credit report to assess the creditworthiness of borrowers

**Traditional credit history factors**

- Credit history (age of accounts), Utilization and payment history *(using trended credit)*, Recency and severity of accounts with late payments, Public records, foreclosures, deed-in-lieu of foreclosures, preforeclosure sales, mortgage charge-offs, and collection accounts, Inquiries

**Non-credit risk factors evaluated**

- Equity and loan-to-value ratio, Liquid reserves, Debt-to-income ratio, Loan purpose, Loan type, Loan term, Property type, Number of borrowers, **Self-employed borrowers**, Occupancy

DU analyzes the results of this evaluation along with the evaluation of the borrower’s credit profile to arrive at the underwriting recommendation for the loan casefile.

Items in **blue** are new in DU Version 10.0
Trended Data

It’s expanded information on a borrower’s credit history at a credit line level on several 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

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

Including trended credit data will:
- improve the accuracy of DU’s credit risk assessment
- benefit borrowers who regularly pay off their revolving debt

Support and Resources
- Lender Announcements and Letters
- Desktop Underwriter Release Notes
- Trended Data Infographic
- Trended Credit Data Commentary
- HFI Training Resources: Originating and Underwriting
- 1-800-2Fannie Call Center Menu

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.

Giving weight to how borrowers pay off credit debt puts more power in their hands to control their credit evaluation.
What’s New: Underwriting for Borrowers with No Traditional Credit

Automates the policies for underwriting borrowers with no traditional credit

Eligibility Criteria

- Principal residence transaction, all borrowers will occupy the property
- One-unit property (may not be a manufactured home)
- Purchase or limited cash-out refinance transaction
- Fixed-rate mortgage
- Loan amount must meet the general loan limits (may not be a high-balance mortgage loan)
- LTV, CLTV, and HCLTV ratios may be no more than 90%
- Debt-to-income ratio must be less than 40%

For more information on DU Version 10.0 go to www.fanniemae.com/singlefamily/desktop-underwriter
Why are We Redesigning the URLA and Introducing ULAD?

**Improve market relevance**
- The Uniform Residential Loan Application (URLA) has not materially changed in 20+ years and does not reflect recent industry changes.
- Removed fields no longer used for borrower qualification; added information to support underwriting.

**Increase clarity and understanding**
- The redesigned URLA is more consumer-friendly and easier for borrowers to understand.
- Design of URLA was aligned with Loan Estimate and Closing Disclosure for a consistent feel.

**Enhance data quality**
- Each redesigned URLA field is associated with the most recent MISMO data standard (v3.4).
- Data consistency will improve data quality throughout mortgage lifecycle.
- Enable more efficient data sharing among industry participants.

**Improve risk assessment**
- More robust and granular data will enhance fraud analysis and provide greater certainty.
Timing and Next Steps

### 2016

- **8/23/2016**
  - Published:
    - Interactive URLA
    - URLA Instructions
    - Demographic Information Addendum
    - ULAD Mapping
    - Refinance/Purchase Examples
    - FAQs

- **9/20/2016**
  - Published:
    - Dynamic URLA
    - Spanish Translation Aid
    - Rendering Document
    - AUS Specifications for DU and LPA
    - Updated ULAD Mapping

- **1/1/2018**
  - HMDA Effective Date
  - Current URLA must be updated with Demographic Information Addendum or CFPB’s Sample Form

### 2017 and beyond ...

- TBD
  - URLA Required Usage/GSE AUS Specification Mandate Date

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*The redesigned URLA is not for current use while begin to define our implementation timelines with input from the industry.*
Identify Data Issues Early

Improve data quality and avoid costly risks

Accurate, streamlined appraisal quality control/over 1.2 million appraisals reviewed
Close Loans Faster and Reduce Submission Errors

Fannie Mae’s EarlyCheck™ service assists lenders in identifying and correcting potential eligibility and/or data issues as early in a lender’s business process as possible. The goal is to help lenders identify potential problems prior to loan delivery.

Access options

- To evaluate pre-closing loans and loans in the post-closing through pre-delivery stage, lenders have two EarlyCheck access options:
  - Integrated LOS
  - Web-based user interface

Who should use EarlyCheck?
- Originators
- Processors/Underwriters
- Closers/Post Closing
- Secondary Marketing
- Shippers/Delivery/Funding

Lender Feedback – EarlyCheck Reduces Post Delivery Issues:
“Fannie Mae’s EarlyCheck tool provides lenders the opportunity to resolve delivery edits earlier in the process because the EarlyCheck application mirrors Loan Delivery edits. This results in fewer post-delivery issues.”

‘~ Director, Agency Relations. Leading Global Bank
Collateral Underwriter® Redesign – Making CU Even Easier to Use

Collateral Underwriter® (CU®), the most powerful appraisal risk assessment application available for lenders, is getting a makeover – we’re making it even easier to use.

The New CU – Coming Q4 2016

- Intuitive layout and navigation
- One-page overview with clear display of CU feedback, including risk score, flags, and messages
- Streamlined Comp Review layout of appraiser and model comparable sales
- Easy-to-read Adjustment Analysis display
- Enhanced search functionality
- Screen tool tips that provide additional help
UCDP – New Appraisal-Sharing Functionality

Enables correspondent lenders to easily share appraisal information with their aggregators within the UCDP. Aggregators will have access to real-time results for their correspondents’ appraisals, providing the confidence that they always have the most up-to-date appraisal information when selling a loan to the GSEs.

**Correspondent Functionality:**
- Ability to share individual appraisals with specific aggregators.
- Free and unlimited access to the CU user interface for improved ability to resolve appraisal issues and avoid delays caused by investor review findings.

**Aggregator Functionality:**
- Ability to retrieve a list of correspondent-shared appraisals.
- Ability to regularly retrieve the Status, Findings, and Submission Summary Report for correspondent-shared appraisals.
- Ability to retrieve the embedded PDF file for correspondent-shared appraisals via UCDP.
- Free and unlimited access to the CU user interface to provide transparency into the appraisal risks identified by CU and the data that supports the findings for improved risk management.
Reliable, End-to-End Technology Solutions

Our Technology Solutions deliver improved loan quality, business efficiency, and profitability.

Just one more way Fannie Mae is helping to make business simpler, more transparent, and less risky.

Your business, better.
Tools and resources to help you expand access to credit and reach more borrowers

Support Sustainable Homeownership • Empower Consumers • Inform Prospective Home Buyers
Reach More Borrowers

**Did you know**...in Nebraska there are:

- 107,581 total households (renters) that can afford at least the median home price in their CBSA*
- $57,000 median household income
- 12% are Hispanics (14,543 households)
- 43% are Generation Xs (51,036 households)
- 30% are Millennials (35,099 households)
- 6,211 vacant properties for sale

*Definition: Core Based Statistical Area* (CBSA) (from Cenus.gov): The term “Core Based Statistical Area” (CBSA) is a collective term for both metro and micro areas.

*Data Source: Data Source Information and Disclaimer:* Fannie Mae Connect Market Opportunity and Profiles Tool was created to help our customers explore and understand the markets that they serve. All of the data in this database comes from the American Community Survey (ACS) Public Use Microdata Sample.
Have You Seen the Fannie Mae Marketing Center?

- **New HFA Preferred materials now available!**
- **Self-service consumer** and realtor **marketing materials** available
- Reach out to creditworthy home buyers and educate them about the availability of low down payment options
- **Customizable** – add your photo and contact information and include your company’s logo and product name(s)
- Flyers and frequently asked questions resource materials **available in both English and Spanish translations**
- [https://www.fanniemae.com/singlefamily/marketing-center](https://www.fanniemae.com/singlefamily/marketing-center)
Spanish Language Resources

- **Online resource for lenders** and HFAs to help support their Spanish-speaking borrowers

- **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

For more details click here: [https://www.fanniemae.com/singlefamily/spanish-resources-for-lenders](https://www.fanniemae.com/singlefamily/spanish-resources-for-lenders)
HOME by Fannie Mae™

- New Fannie Mae consumer app created to support access to homeownership

- Informs prospective home buyers on the home buying process

- App includes dashboards, checklists, financial calculators, videos and more

- Free interactive app

- Learn more, view video

*2016 Best Mobile App Platinum Award Winner - Best App User Interface Category*
Next Steps

- **Share the benefits of HFA Preferred™** product with real estate professionals in your network to reach more borrowers

- **Take advantage of free customizable materials** from Fannie Mae

- **Share the HOME by Fannie Mae™ app** with potential home buyers

- **Think beyond the interest rate...Offer HFA Preferred™** to your next prospective borrower
Contact Us – We’re here to help!

Jessica Wright, Fannie Mae HFA Account Representative
Tel: (202) 752-6139
Email: jessica_wright@fanniemae.com

Recognize the power of the Tweet!
If you enjoyed our training make sure to tweet about it. Remember to tag us (@) and use our hashtags (#) below:

@FannieMae
#HFAPreferred