

FNMA
Loan Quality Control Initiative
 Linda Ferrari
 Jim Sahnger

mss mortgage success source
 THE MORTGAGE MARKET GUIDE LoanToolbox



Linda Ferrari
 National Credit Score Expert
 Credit Resource Corp.



Jim Sahnger
 MSS Faculty Member
 National Mortgage Expert

Call 1-800-963-1900 or visit www.MortgageSuccessSource.com
 to find out about upcoming webinars and other
 Mortgage Success Source tools for success!

mss mortgage success source
 THE MORTGAGE MARKET GUIDE LoanToolbox

YOU'VE GOT QUESTIONS...WE'VE GOT ANSWERS.
 (BUT IF YOU CAN'T HEAR US...DIAL THE NUMBER ON YOUR INVITATION
 EMAIL OR DASHBOARD...WE'RE USING PHONE LINES, NOT MIC AND
 SPEAKERS.)

File View Help

Audio

Audio Mode: Use Telephone
 Use Mic & Speakers

Dial: (800) 979-4135
 Access Code: 105-748-644
 Audio PIN: 74

If you're already on the call, press #74# now.

Questions

Questions Log

Welcome! Please type any questions/comments in the Question and Answer section of your control panel.

[Enter a question for staff]

[Send]

Give Online Punch
 Webinar ID: 576-794-892
 GoToWebinar™

File View Help

Audio

Audio Mode: Use Telephone
 Use Mic & Speakers

Dial: (800) 979-4135
 Access Code: 105-748-644
 Audio PIN: 74

If you're already on the call, press #74# now.

Questions

Questions Log

Welcome! Please type any questions/comments in the Question and Answer section of your control panel.

[Enter a question for staff]

[Send]

Give Online Punch
 Webinar ID: 576-794-892
 GoToWebinar™

What We Will Cover Today

- Why the media says Fannie is implementing this initiative
- How your loans will be impacted
- What will be required if your clients' DTI or scores change from their initial application
- What you MUST do to protect your borrowers and how to set expectations up front
- You'll also gain knowledge on how to help your clients improve their credit scores

Fannie Mae – LQI

• Lender Prefunding QC Review Process

- Fannie Mae is requiring that the lender's QC plan includes a prefunding QC review process. Those reviews are expected to provide information that should prevent closing mortgage loans with **significant defects such as misrepresentation, inaccurate data, or inadequate documentation**. Lenders may choose a QC method appropriate for monitoring their origination policies and ensuring the accuracy of the loan data; however, Fannie Mae provides lenders with recommendations for an effective prefunding QC review process. The recommendations include establishing a loan selection process, reviewing specific data and documentation, and reporting results of the QC reviews to senior management.

Fannie Mae Lender PF QC Mortgage Review

- LTV >90%
- High risk credit scores
- Investment properties
- Cash-out refi's
- Third party originated
- Condo's, co-ops, leasehold estates, manufactured housing
- Originated and processed by newly hired LO's, processors, appraisers, & other TPO people
- Manual underwrites

National Mortgage News

Fannie Wants Second Credit Report Pulled (May 6, 2010)

- Beginning June 1, lenders originating mortgages being sold to Fannie Mae will have to pull a second credit report just before the loan closes.
- By pulling a second credit report, lenders can find out whether other creditors have recently requested information about the mortgage applicant—a red flag indicating someone might be trying to obtain several loans (from multiple, unwitting lenders) on the same property.
- "If they see another inquiry, Fannie would like to see lenders query those creditors"

Conflicting Report HOUSINGWIRE FINANCIAL NEWS FOR THE MORTGAGE MARKET

- "a second credit report on the borrower needn't be pulled near to closing on the mortgage, although "a lender may choose to do so"
- "suggests keeping a tally on a borrower's credit-worthiness, as the length of the underwriting process continues to increase and the credit report may change substantially in that time"
- "Credit inquiries listed on the [new] credit report should be investigated to determine whether the borrower did in fact open additional debt resulting in repayment obligations"
- Equifax states: the above "quiet period," calling it "a historical blind spot for lenders..." up to \$142M in auto loan payments were potentially overlooked during the mortgage underwriting process last year." Translated 473K car loans at \$300 a car payment.

From One Investor

- **Undisclosed debt is a leading cause of mortgage fraud and loan repurchases.**
- Information disclosed on the loan application must be accurate and current through loan closing. This information includes (but is not limited to) any additional credit applied for or incurred during the application process and through loan closing.
- If any additional liabilities or an increase in existing credit is revealed during the loan application process, We reserve the right to re-qualify the borrower based on this new information. Re-qualification may include, but is not limited to, obtaining a new credit report including an updated credit score which may impact the qualifying interest rate and pricing as well as the borrower's ability to qualify based on current program guidelines.
- Broker clients are reminded that when the borrower signs the final loan application, they are verifying that all information in the application, including liabilities, are current and accurate and that if new debt is revealed, their loan may be subject to re-qualification and/or re-pricing. We also reserve the right to stop funding altogether, if the borrower no longer meets loan program guidelines. Not reporting additional applications for credit to their loan officer or mortgage lender could be considered mortgage fraud.

Credit Don'ts: Origination to Closings

- **DON'T DO ANYTHING THAT WILL CAUSE A RED FLAG TO BE RAISED BY THE SCORING SYSTEM.**
- **DON'T APPLY FOR NEW CREDIT OF ANY KIND.**
- **DON'T PAY OFF COLLECTIONS OR CHARGE OFFS**
- **DON'T MAX OUT OR OVER CHARGE ON YOUR CREDIT CARD ACCOUNTS.**
- **DON'T CONSOLIDATE YOUR DEBT ONTO 1 OR 2 CREDIT CARDS.**



Credit Don'ts: Origination to Closings



- **DON'T CLOSE CREDIT CARD ACCOUNTS**
- **DON'T PAY LATE.**
- **DON'T ALLOW ANY ACCOUNTS TO RUN PAST DUE --EVEN 1 DAY!**
- **DON'T DISPUTE ANYTHING ON YOUR CREDIT REPORT**
- **DON'T LOSE CONTACT WITH YOUR MORTGAGE & REAL ESTATE PROFESSIONALS**

Clock is Ticking



- Be Seen as an Expert
- Start Educating at First Contact with Lead
- Put Them into a Plan
 - Lead Follow-Up Campaign
 - Step by Step Action Plan
 - Ideally 8-16 Weeks Depending on Buyer
- **My Score Pro**

Now let's take LIVE
questions via the
chat function

Contact Information



- **Linda Ferrari**
- Credit Resource Corp
- National Credit Expert
- Office: 866-541-2500
- Email: info@creditresourcecorp.com
- **Jim Sahnger**
- MSS Faculty Member
- National Mortgage Expert
- Office: 561-626-7813
- Email: info@ActNowNotLater.com
- Facebook: Jim Sahnger

**Thank you for
attending!**

*Call 1-800-963-1900 for information about our
products or future webinars!*