



Loan Defect Categories*

This list shows loan defects, by categories, identified by Fannie Mae in post-purchase reviews of our acquisitions. 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 January 20, 2017; subject to change.

Loan Defects

Defect Category	Defect Subcategory	Defect Name
Assets	Asset Calculation/ Analysis	<ul style="list-style-type: none"> • Insufficient assets to close • Insufficient assets to pay off debt • Insufficient assets – reserves • Insufficient assets – 30-day charge accounts • Undocumented large deposit
	Asset Documentation	<ul style="list-style-type: none"> • Asset documentation – aged • Assets – misrepresentation • Illegible asset documentation • Incomplete – asset documentation • Missing asset documentation – all • Missing – earnest money • Missing – gift documentation • Missing – liquidation of asset • Missing – sale proceeds • Missing – source of non-U.S. borrower funds
	Asset Eligibility	<ul style="list-style-type: none"> • Gift – unacceptable • Ineligible source of funds – gift on investment transaction • Interested party contributions – excessive contribution amount • Interested party contributions – excessive for transaction • Interested party contributions – sales concessions • Minimum borrower contribution from own funds • Unacceptable source of funds – general
Borrower and Mortgage Eligibility	Borrower Eligibility	<ul style="list-style-type: none"> • Multiple financed properties • Excessive number of financed properties • Legal entity • Social Security Number – none • Social Security Number not validated • Social Security Number discrepancy • Strawbuyers – misrepresentation • Trust - ineligible



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	Mortgage / Program Eligibility	<ul style="list-style-type: none"> • Delayed financing exception requirements not met • Delivered with excessive DTI ratio • Evidence of subordination or release of existing lien not provided • Loan amortization term – exceeded maximum • Loan amortization type – balloon • Loan purpose – continuity of obligation • Loan purpose – purchase – non-arms length • Loan purpose – refinance terms – excessive cash-out • Loan purpose – refinance terms – installment land contract • Loan purpose – refinance terms – pay off subordinate financing • Loan purpose – refinance terms – property listed for sale • LTV/CLTV/HCLTV – calculation • LTV/CLTV/HCLTV – exceeds guidelines • LTV/CLTV/HCLTV – excessive HCLTV • LTV/CLTV/HCLTV – manufactured housing • LTV/CLTV/HCLTV – subordinate financing documentation • Missing evidence of completion of homeownership education/landlord education • Misrepresentation of occupancy – investment property • Missing evidence of completion of home-buyer education and/or landlord counseling • Occupancy – manufactured housing • Occupancy – misrepresentation • Occupancy – second home eligibility • Payoff of real estate taxes • Product parameter – borrower removal • Product parameter – delinquent at or before delivery • Product parameter – HomeReady® requirements not met • Product parameter – HomeStyle® Renovation requirements not met • Product parameter – ineligible subordinate financing • Product parameter – TX 50(a)(6) • Refi Plus™ – DTI ratio exceeds maximum allowable • Refi Plus – minimum credit score requirement not met • Refi Plus with application date prior to December 1, 2011 – delinquent at or before delivery • Refi Plus/DU® Refi Plus – prior loan acquired after allowable date



Defect Category	Defect Subcategory	Defect Name
		<ul style="list-style-type: none"> • Refi Plus/DU Refi Plus – prior loan ineligible for product • Refi Plus/DU Refi Plus – prior loan not a Fannie Mae loan • Refi Plus/DU Refi Plus – excessive cash out • Refi Plus/DU Refi Plus – mortgage insurance coverage • Underwriting method • Undisclosed real estate • Undisclosed subordinate financing
Credit	Credit Calculation/Analysis	<ul style="list-style-type: none"> • Insufficient/unacceptable nontraditional credit
	Credit Documentation	<ul style="list-style-type: none"> • Credit documents – aged • Fabricated/misrepresentation – nontraditional credit • Illegible credit documentation • Missing or defective credit report • Mortgage verification/payment history missing • Rental verification / payment history not documented
	Credit Eligibility	<ul style="list-style-type: none"> • Minimum credit score requirement not met • Open collections, non-mortgage charge-offs, or past due balances • Open judgement(s) • Outstanding lien(s) • Rental verification/payment history not documented • Rental verification – unacceptable payment history • Significant derogatory credit event – requirements not met • Significant derogatory event – insufficient re-established credit • Significant derogatory event – insufficient waiting period • Unacceptable mortgage history
Income/Employment	Income/Employment Calculation	<ul style="list-style-type: none"> • Incorrect income calculation – retirement/pension/Social Security • Incorrect income calculation – bonus/commission/overtime • Incorrect income calculation – business expenses • incorrect income calculation – other • Incorrect income calculation – rental income/loss • Incorrect income calculation – salary • Incorrect income calculation – self-employed • Incorrect income calculation – employed by family member or interested party
	Income Documentation	<ul style="list-style-type: none"> • Illegible income documentation • Income – misrepresentation



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		<ul style="list-style-type: none"> • Income documentation – aged • Income not documented – age of tax returns • Income documentation – employed by family member or interested party • Income documentation – missing – all • Income not documented – rental • Income not documented – bonus/commission/overtime • Income not documented – commission +25% • Income not documented – other • Income not documented – salary • Income not documented – self-employed • Income not documented – secondary employment/multiple jobs
	Income Eligibility	<ul style="list-style-type: none"> • Borrower not employed as disclosed as of the loan closing date • Income continuance – unacceptable • Source of income not allowed • Unacceptable history of income – bonus/overtime • Unacceptable history of income – commission • Unacceptable history of income – other • Unacceptable history of income – self-employed • Unacceptable history of income – secondary employment/income
Insurance	Insurance Analysis	<ul style="list-style-type: none"> • Mortgage insurance – inadequate coverage
	Insurance Documentation	<ul style="list-style-type: none"> • Fidelity insurance and/or liability insurance policy not documented for the project/homeowners' association (HOA) • Flood insurance not documented • Property insurance policy not documented • Mortgage insurance – not documented
	Insurance Eligibility	<ul style="list-style-type: none"> • Flood zone – no active policy • Mortgage insurance – rescinded/cancelled • Mortgage insurance – primary MI does not meet MI company or lender origination guidelines • Title insurance not valid • Rural Development – no Rural Development guaranty • Rural Development – Rural Development guaranty never activated
	Anti-Predatory Violation	<ul style="list-style-type: none"> • Ineligible arbitration agreement



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Legal/Regulatory/ Compliance		<ul style="list-style-type: none"> • Home Ownership and Equity Protection Act (HOEPA) violation – APR • HOEPA violation – points and fees • HOEPA violation – APR and points and fees • Ineligible loan term • Ineligible amortization type • Prepayment penalties • Single-premium credit insurance • State "high-cost" limit
	Title/Lien Defect	<ul style="list-style-type: none"> • Chain of title /clouded title • Impaired right, title, and interest • Incorrect legal description • Loan not funded or pending rescission • Not first lien • Title – misrepresentation
Liabilities	Liabilities Calculation/Analysis	<ul style="list-style-type: none"> • Debts not paid off • Monthly payments not properly calculated • Requirements for qualifying impact of other real estate owned not met • Undisclosed liability • Undisclosed mortgage(s)
	Liabilities Documentation	<ul style="list-style-type: none"> • Missing documentation to support omission of debts • Monthly payment amount not provided and/or verified
Loan Package Documentation	Application/Processing	<ul style="list-style-type: none"> • DU or AUS findings report – missing or defective • Loan application – defective • Loan application missing • Other application/processing documentation • Sales contract missing or defective • Closing Disclosure – defective • Closing Disclosure – missing
	Closing/Title	<ul style="list-style-type: none"> • Final Truth in Lending – illegible • Final Truth in Lending defective – missing page • Final Truth in Lending defective – not for subject transaction • Final Truth in Lending missing • HUD-1 settlement statement provided in lieu of Closing Disclosure • Note – defective



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		<ul style="list-style-type: none"> • Note – missing • Other closing/title documentation • Security instrument – defective • Security instrument – missing • Settlement statement – defective • Settlement statement – missing
	Loan File	<ul style="list-style-type: none"> • Loan file missing
Project Eligibility	Condominium	<ul style="list-style-type: none"> • Ineligible condominium project
	Cooperative	<ul style="list-style-type: none"> • Ineligible cooperative project
	General Project Eligibility	<ul style="list-style-type: none"> • Ineligible condominium or co-operative hotel
	PUD	<ul style="list-style-type: none"> • Ineligible PUD project
Property – Appraisal	Appraisal Adjustments	<ul style="list-style-type: none"> • Appraisal adjustments not correctly applied • Comparable adjustments • Failure to adjust comparables • Inadequate comparable adjustment(s) • Unacceptable comparable adjustment(s) – sales/financing concessions
	Appraisal Data Integrity	<ul style="list-style-type: none"> • Comparable sale(s) physical features reported inaccurately – age • Comparable sale(s) physical features reported inaccurately – bedroom/bathroom count • Comparable sale(s) physical features reported inaccurately – condition/quality of construction • Comparable sale(s) physical features reported inaccurately – design/appeal • Comparable sale(s) physical features reported inaccurately – gross living area • Comparable sale(s) site characteristic(s) reported inaccurately • Comparable sale(s) transaction details reported inaccurately • Comparable transaction details – creation of comparable sale(s) • Failure to report and/or analyze subject sales history • Failure to report pending sale for the subject • Failure to report and/or analyze subject listing history • Failure to report/analyze comparable sales/listing history • Insufficient data source for comparable sale(s) • Market conditions reported inaccurately



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		<ul style="list-style-type: none"> • Obsolescence not reported and/or analyzed • Subject physical features reported inaccurately – age • Subject physical features reported inaccurately – amenities • Subject physical features reported inaccurately – bedroom/bath count • Subject physical features reported inaccurately – design/appeal • Subject physical features reported inaccurately – gross living area • Subject site characteristic(s) or location reported inaccurately • Subject site features – entire parcel not included
	Appraisal Documentation	<ul style="list-style-type: none"> • Appraisal not uploaded to UCDP • Expired appraisal • Missing appraisal • Missing final inspection • Missing or non-compliant appraisal update • Unacceptable appraisal documentation
	Appraisal Reconciliation	<ul style="list-style-type: none"> • Adjusted value of comparable(s) failed to support appraised value • Appraised value outside adjusted sales price range • Inadequate appraisal reconciliation
	Comparable Selection	<ul style="list-style-type: none"> • Dated comparable sales • Exclusive use of sales from subject's developer/builder/property seller • Inappropriate comparable sale selection • Inappropriate sale(s) selection due to location • Required number of manufactured home comparable sales not used • Use of comparable sale(s) with dissimilar site characteristics without adequate explanation • Use of comparable sale(s) with dissimilar type of ownership • Use of dissimilar comparable sale(s) without adequate explanation/non-traditional property • Use of physically dissimilar comparable sale(s) – age • Use of physically dissimilar comparable sale(s) – bedroom count • Use of physically dissimilar comparable sale(s) – gross living area



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		<ul style="list-style-type: none"> • Use of physically dissimilar comparable sale(s) – condition/quality of construction • Use of physically dissimilar comparable sale(s) – design/appeal
	General Appraisal Requirements	<ul style="list-style-type: none"> • Appraisal not complete or compliant • Appraisal on wrong form • Failure to analyze subject sale contract • Failure to use three comparable sales • Missing/incorrect appraisal exhibits or addenda • Supervisory/review appraiser not qualified • Unlicensed/not qualified appraiser
Property – Appraisal Misleading	Appraisal Misleading	<ul style="list-style-type: none"> • Misrepresentation of physical characteristics • Unacceptable appraisal by use of inappropriate comparable sales • Unsupported or misleading market data
Property Eligibility	Leasehold Estate	<ul style="list-style-type: none"> • Ineligible leasehold estate
	Manufactured Housing-Specific	<ul style="list-style-type: none"> • Ineligible manufactured housing – modular • Ineligible manufactured housing with leasehold estate • Ineligible manufactured housing
	Site and Utilities	<ul style="list-style-type: none"> • Ineligible property – inadequate accessibility • Ineligible property – encroachment • Ineligible property – environmental hazards • Ineligible property – land locked parcel • Ineligible property – land use • Ineligible property – parcel issues • Ineligible property – site and utilities • Ineligible property – utilities
	Subject and Improvements	<ul style="list-style-type: none"> • Ineligible property – number of units • Ineligible property – safety, soundness, and structural integrity • Ineligible property – subject and improvements
	Zoning and Usage	<ul style="list-style-type: none"> • Ineligible property – accessory unit • Ineligible property – illegal zoning or highest and best use • Ineligible property – unacceptable mixed use • Ineligible property – non-residential use • Ineligible property – site conformity • Ineligible property – commercial zoning • Ineligible property – zoning and usage