Representations and Warranties Framework Summary

Fannie Mae is partnering with lenders to increase certainty through a shared commitment to data quality and reducing repurchase risk. This document summarizes updates and clarifications to the representations and warranties (R&W) framework from 2013–forward that provide more certainty about lenders’ rights and obligations.

R&W Relief Criteria Summary*

<table>
<thead>
<tr>
<th>Relief Criteria</th>
<th>R&amp;W Framework Version 1</th>
<th>R&amp;W Framework Version 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective date – whole loans acquired:</td>
<td>January 1, 2013 through June 30, 2014</td>
<td>On and after July 1, 2014</td>
</tr>
<tr>
<td>Effective date – loans delivered into MBS pools:</td>
<td>With pool issue dates on and after January 1, 2013, but before July 1, 2014</td>
<td>With pool issue dates on and after July 1, 2014</td>
</tr>
<tr>
<td>Required consecutive payments</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Delinquencies permitted to keep relief eligibility after 36 months</td>
<td>0 x 30</td>
<td>2 x 30 and 36th monthly payment not delinquent</td>
</tr>
<tr>
<td>Opportunity to re-establish payment history after delinquencies</td>
<td>Yes, as of 60th month; no more than 2 x 30 late pays in first 36 months, and 60th month not delinquent</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Eligible for relief after satisfactory conclusion of full-file QC review</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

* This payment history relief applies to loans other than Refi Plus™/DU® Refi Plus loans; see Announcements indicated for details on Refi Plus loans, which generally require a 12-month satisfactory payment history for R&W relief.
Tracking R&W Obligations Relief

Fannie Mae provides lender reports to help track loans on which the R&W obligations have reached sunset (except for the life of loan exclusions). The monthly Reps and Warrants Tracking Reports are available to Fannie Mae Sellers through Message Manager, and will be available in Fannie Mae Connect beginning November 20, 2015.

Remedies Framework (Announcement SEL-2015-11)

Under the remedies framework, effective January 1, 2016, after completing a full-file quality control review, Fannie Mae will categorize defects in one of three ways:

1. Finding – Formerly “Eligible with Moderate Finding” – This category may require a data change, or may be informational only, but does not require a pricing adjustment.

2. Price-Adjusted Loan (PAL) – This category will apply to loans that would otherwise be eligible if delivered with correct LLPAs. This category is only applicable if there are no significant defects on the loan, and the adjustment process will be the same as our current Data Validation Center data and pricing change process.

3. Significant Defect – This is the only defect category that can lead to a repurchase request. We summarized our Selling Guide requirements in eight clearly described criteria and have provided examples.
   - At any time during the appeals process, the lender will have the right to correct a significant defect in the specified timeframe and in the manner required by the Lender Contract, such as by providing additional or missing documentation.
   - Other available remedies may include a pricing adjustment or repurchase alternatives.

Reminder Relating to Lenders’ Right to Correct and to Appeal Repurchase Requests

A lender may correct underwriting and origination defects that are capable of being corrected consistent with the Selling Guide. After a lender has corrected a loan defect in the time and manner specified in the Selling Guide, Fannie Mae cannot enforce a remedy based on the breach of the corrected defect.

Post-Relief Loan File and Appraisal Reviews (Announcement SEL-2014-14)

- Fannie Mae will not issue a repurchase request or seek an alternative remedy on an underwriting deficiency (LTV ratio or debt-to-income ratio, for example) that is discovered after the loan has obtained R&W relief, except in the case of a life of loan exclusion.

- If, after a loan has obtained relief under the framework, Fannie Mae reviews an appraisal and determines that the property value used to calculate the LTV ratio was incorrect at the time of delivery, Fannie Mae will not issue a repurchase request based solely on the fact that the newly calculated LTV is over 80% and the loan did not have credit enhancement in place when it was delivered to Fannie Mae.
Life of Loan Summary (Announcement SEL-2014-14)

Under the R&W framework, lenders are relieved of certain selling R&Ws set forth in Subparts B1–B5 of the Selling Guide that relate to the underwriting of the borrower, the property, or the project for loans delivered to Fannie Mae that have achieved an acceptable payment history or a satisfactory full-file quality control review by Fannie Mae. Under the framework, lenders are not relieved from Fannie Mae's enforcement of its representations and warranties with respect to the life of loan R&Ws, even if the issues are referenced in Subparts B1-B5 of the Selling Guide. Lenders may appeal repurchase requests issued for breaches of life-of-loan representations and warranties (in the repurchase rebuttal process).

<table>
<thead>
<tr>
<th>Life of Loan R&amp;W Category</th>
<th>Update Description/Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter Matters</td>
<td>No change; loans that violate Fannie Mae’s Charter remain ineligible for R&amp;W relief.</td>
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</table>
| Misstatements, Misrepresentations, and Omissions | • Clarifications and updates to limit life of loan R&W obligations: after the relief date, must involve three or more loans delivered by the same lender AND a common pattern of activity AND be significant (loan would not have been eligible if the information had been known at the time of delivery).
  • Fraud is an exception to the limits (fraud established by an adjudicated claim affirming fraud by or against the lender or other party to the loan transaction; or Fannie Mae finding clear and convincing evidence of intent to defraud).
  • Effective retroactively for whole loans acquired on/after January 1, 2013 and loans delivered into MBS with pool issue dates on and after January 1, 2013 (unless Fannie Mae has issued a repurchase request prior to November 20, 2014). |
| Data Inaccuracies         | • Clarifications and updates to limit life of loan R&W obligations: After the relief date, must involve five or more loans and the same delivery data element(s) AND the loan delivery (ULDD) data must differ from information in the lender’s mortgage loan file AND must be significant (loan would not have been eligible if the information had been known at the time of delivery).
  • Effective retroactively for whole loans acquired on/after January 1, 2013 and loans delivered into MBS with pool issue dates on and after January 1, 2013 (unless Fannie Mae has issued a repurchase request prior to November 20, 2014). |
| Clear Title/First-Lien Enforceability | No change; loans that do not meet the related requirements remain ineligible for R&W relief. |
| Compliance with Laws and Responsible Lending Practices | • Updates to Selling Guide A3-2-01, Compliance with Laws, which among other things requires lenders to comply with applicable federal, state and local laws.
  • Effective immediately and applies to whole loans delivered to Fannie Mae on or after November 20, 2014, and loans delivered into MBS with pool issue dates on and after December 1, 2014, without regard to whether the loan has obtained relief under the framework. |
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<td>See Announcement SEL-2014-14 (November 20, 2014) for details</td>
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- To provide more transparency and certainty to lenders, Fannie Mae is limiting those situations for which it may enforce a repurchase to those situations in which:
  1. the lender’s failure to comply could be expected to impair Fannie Mae’s or its servicer’s ability to enforce the note or mortgage;
  2. the lender’s failure to comply could be expected to impose assignee liability on Fannie Mae; or
  3. the loan is found to have been in violation of, or if Fannie Mae has made a finding, based on the facts available to Fannie Mae, that a violation may have occurred, of one or more of the following laws or related regulations: Office of Foreign Assets Control (OFAC) of the Department of Treasury laws and regulations; Fair Housing Act; Anti-discrimination provisions of the Equal Credit Opportunity Act (ECOA); Unfair, Deceptive or Abusive Acts or Practices under federal and state law (UDAAP); or Securities Exchange Act of 1934.

- Repurchase requests will not be enforced during pending litigation or government agency review.
- Fannie Mae will not issue a repurchase request based on violations of the ability to repay (ATR) provisions under the Truth in Lending Act unless a court or regulator concludes the loan did not comply with ATR.

Unacceptable Mortgage Products
- The Single-Family Mortgage Product Eligibility life of loan exclusion is now called Unacceptable Mortgage Products.
- For more information see Selling Guide section A2-2.1-06, Life of Loan Representations and Warranties.

Certainty Provisions: Summary of Outcomes and Next Steps

- More than 1 million loans delivered to Fannie Mae since January 2013 are now (data as of 6/30/15) free and clear of repurchase liability from many R&Ws as a result of the 12-month sunset on Refi Plus™/DU® Refi Plus loans. In the next few years, millions of additional loans delivered to us since January 1, 2013 are expected to receive repurchase relief.

- Fannie Mae CEO Tim Mayopoulos stated in remarks to the Mortgage Bankers Association (MBA) Annual Conference on October 20, 2014: “We realized that these sunset provisions were good, but not enough.”

- We have introduced the remedies framework, and continue to work with the MBA and others on a mutually acceptable third-party dispute resolution process.

- We remain committed to hearing our lenders’ feedback and helping to provide more predictability and certainty in their business.

Of the 5.27 million single-family loans delivered to Fannie Mae from January through September 2014, we have issued repurchase requests on just 0.47 percent of them*. We also continue to give lenders the opportunity to correct issues that prompted a repurchase request. For example, for 2013 acquisitions, on approximately 65 percent of the loans on which we issued repurchase requests, lenders were able to correct the issues by providing data or documentation – meaning they didn’t have to repurchase those loans. (*data as of 6/30/15)