MI Decision Tips

Enact

3rd Quarter 2021

Enact's Risk Quality Assurance team creates this report to help underwriters to submit quality originations. Each quarter, you can use this report to discover the most frequently made MI decision errors and learn how to avoid them. You'll find excerpts from the associated underwriting guidelines along with corrective actions for each — including relevant examples when appropriate. Loans requiring an exception to Enact published guidelines must be sent in for an Enact underwrite.

Assets — Analyzing the Borrower's Assets		
Decision Error	**Underwriting Guideline**	**Corrective Action**
Assets Not Documented as Required by Program or AUS Guidelines Source of Funds not Adequately or Properly Documented for Large Deposits Insufficient Assets to Close or for Required Reserves Missing Gift Documentation	**Enact Section 6.2.1 DU Underwriting Findings Report and Loan Product Advisor Feedback Certificate (08/05/19)** While the minimum level of documentation for the loan is described in the Findings/ Feedback report, it may not be adequate for the loan's particular circumstances. Additional documentation may be warranted to substantiate the loan decision. **Enact Standard Guidelines Section 7.1 Standard Guidelines Documentation Requirements (09/18/21)** Our policy for manual underwriting is to follow Fannie if Fannie, Freddie if Freddie, otherwise least restrictive.	Underwriter must ensure Enact, AUS and Investor documentation requirements have been met for verification and documentation of assets. AUS assumes any assets required will be verified and documented in file. **Example 1:** Missing documentation to evidence source of a large deposit in the amount of $6,500.00. **Example 2:** Missing all pages to bank statements or missing second month statement if required. **Example 3:** Insufficient verified liquid funds for closing. Cash to close per Closing Disclosure was $30,866 and verified liquid funds in file are $23,404; funds are short by $7,462.

<table>
<tr><th colspan="3">Assets — Analyzing the Borrower’s Assets</th></tr>
<tr><th>Decision Error</th><th>Underwriting Guideline</th><th>Corrective Action</th></tr>
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<td>Excessive Seller Contributions</td>
<td>Section 5.30 Builder/Seller Contributions
Follow GSE standard guidelines for treatment of builder/seller contributions, subject to these maximum contributions amounts:

<table>
<tr><th>Occupancy</th><th>LTV</th><th>Max Contribution</th></tr>
<tr><td rowspan="2">Primary residence</td><td>90.01–97%</td><td>3%</td></tr>
<tr><td>90%</td><td>6%</td></tr>
<tr><td>Second Homes</td><td>90%</td><td>6%</td></tr>
<tr><td>Investment Property</td><td>85%</td><td>2%</td></tr>
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Loans with payment abatements are ineligible. Payment abatements are funds provided by an interested party used to offset or fully fund a borrower’s monthly payments.

Note: The payment of HOA fees is not considered an abatement unless the payment of the fee extends for more than 12 months. The payment of HOA fees for 12 months or less is considered an interested party contribution.

For HomePath® properties, we allow up to 6% Interested Party Contribution (IPC) for primary residence transactions with LTV/CLTV>90%. All other requirements related to interested party contributions continue to apply. As DU will not be able to identify the subject property as a HomePath property, it is the lender’s responsibility to verify and ensure that the property is a HomePath property and document the Loan File accordingly.</td>
<td>Underwriter must ensure that AUS, Enact and Investor guidelines have been met.</td>
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Income — Analyzing the Borrower's Income

Decision Error	Underwriting Guideline	Corrective Action/Best Practices
Verbal VOE Missing, Incomplete or Incorrect Income Not Documented as Required by Program and/or AUS Findings Recommendation Borrower not employed at time of closing Unaudited P&L statement not signed by the Borrower	**Enact Section 6.2.1 DU Underwriting Findings Report and Loan Product Advisor Feedback Certificate (08/05/19)** Follow Verbal VOE requirements by DU and Loan Product Advisor. **Enact Standard Guidelines Documentation Section 7.11.11** Verbal VOE is required to be dated within 30 calendar days prior to the note date for both salaried and self–employed borrowers **Enact Section 6.2.1 DU Underwriting Findings Report and Loan Product Advisor Feedback Certificate (08/05/19)** While the minimum level of documentation for the loan is described in the Findings/Feedback report, it may not be adequate for the loan's particular circumstances. Additional documentation may be warranted to substantiate the loan decision **Enact Standard Guidelines Section 7.1 Standard Guidelines Documentation Requirements (09/18/21)** Our policy for manual underwriting is to follow Fannie if Fannie, Freddie if Freddie, otherwise least restrictive.	Underwriter must ensure that AUS, Enact and Investor documentation requirements have been met. **Example 1:** Missing current paystub and W-2 from the prior year or a standard VOE as required by DU. **Example 2:** Expired income documents. **Example 3:** Current paystub is missing YTD income. **Example 4:** Borrower has a 2 year job history per 1003 but started a new job mid-year. A lender is required to obtain documentation from the previous employer. The loan file needs to reflect all YTD income and address any employment gaps. There should be evidence of continuity of income. **Example 5:** When income trends are declining a lender must use the YTD income and must not include the previous higher level unless there is documentation of a one-time occurrence (e.g. injury) that prevented the Borrower from working or earning full income for a period of time and evidence that the Borrower is back to the income amount that was previously earned. As the COVID-19 pandemic is ongoing, the income interruption/gap is not yet considered a one-time occurrence, such as an isolated injury may be. **Best Practices** · Pull VVOE as close to closing as possible. Some Lenders are pulling day of closing. · Remind Borrower throughout processing to advise Lender of any changes in employment, income or acquisition of new debt.

Credit — Analyzing the Borrower's Credit		
Decision Error	**Underwriting Guideline**	**Corrective Action**
Missing Documentation for Credit Concerns Not Recognized by AUS **Missing Documentation as Required by AUS** **Obligations miscalculated/debt excluded adversely affecting program maximum ratios or AUS**	**Enact Section 6.2.1 DU Underwriting Findings Report and Loan Product Advisor Feedback Certificate (08/05/19)** While the minimum level of documentation for the loan is described in the Findings/Feedback report, it may not be adequate for the loan's particular circumstances. Additional documentation may be warranted to substantiate the loan decision. **Enact Standard Guidelines Section 7.1 Standard Guidelines Documentation Requirements (09/18/21)** Our policy for manual underwriting is to follow Fannie if Fannie, Freddie if Freddie, otherwise least restrictive.	Underwriter must ensure **Enact**, AUS and Investor documentation requirements have been met. **Example 1:** Missing Closing Disclosure from sale of current property and reflecting mortgage of $227,387 is paid off. If debt is included, DTI changes from 32% to 46%. **Example 2:** Missing documentation for the total monthly housing (P&I, taxes, insurance and/or HOA) payment of property listed on REO was not documented **Example 3:** A mortgage and/or debt was not counted in the Lender's ratios. Missing documentation to support the omission. **Example 4:** Missing non-permanent/permanent resident documentation as required by AUS.

For More Information

Contact us at action.center@EnactMI.com or 800-444-5664 for questions or to give us feedback.

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