MI Decision Tips

3rd Quarter 2025

Enact's Risk Quality Assurance team creates this report to help underwriters and processors submit quality originations. Each quarter, you can use this report to discover the most frequently made GSE and MI decision errors and learn how to avoid them. You will find the specific GSE guideline requirement along with best practices and links to Enact's online training modules. Remember, loans requiring an exception to Enact published guidelines must be sent in for an Enact underwrite.

Income – Analyzing the Borrower's Income

Defect	Underwriting Guideline	Best Practices & Examples
Income/Employment Misrep Missing VVOE	The underwriter needs to review the AUS for the minimum level of documentation required for the loan. It may not be adequate for the loan's particular circumstances so additional documentation may be warranted to substantiate the loan decision. The verbal VOE requirement is intended to help lenders mitigate risk by confirming, as late in the process as possible, that the borrower remains employed as originally disclosed on the loan application. A change in the borrower's employment status could have a significant impact on that borrower's capacity to repay the mortgage loan and must be fully reevaluated. For additional details on Income, visit Fannie Mae Chapter B3-3.1-01 General Income Information and Lender Letter (LL-2021-03) or Freddie Mac Chapter 5300: Stable Monthly Income and Asset Qualification Sources. For additional details on fraud prevention and best practices go to **singlefamily.fanniemae.com/mortgage-fraud-prevention** or **sf.freddiemac.com/working-with-us/fraud-prevention/emerging-fraud-schemes**.	**Example 1:** Income Misrep – Borrower has been working as a self-employed sports official for 6 years per 1003 making $13,870/month. However, 2024 Schedule C shows Borrower's principal business as Real Estate Investments and signature pages reflect borrower as a student. As a result of the red flags, Enact obtained tax transcripts that verified Borrower filed an extension for 2024 and only claimed W2 income of $13,600 for 2023 and W2 income of $11,010 for 2022. **Example 2:** Income Red Flags Not Addressed - Borrower has been self-employed for 6 years as an owner of a cleaning business making $7,500/month per 1003. Income red flags not addressed as CPA letter isn't on letter head, has offset typing and grammatical errors. Schedule C for 2024 does not have any typical cleaning company expense deductions for car/truck expenses, supplies, etc. As a result of the red flags, Enact obtained tax transcripts that verified Borrower did not report any self-employed income for 2022. LP states Borrower must be self-employed for minimum of 5 years to use 1 year returns.

Income – Analyzing the Borrower's Income (cont'd)		
Defect	**Underwriting Guideline**	**Best Practices & Examples**
		Best Practices: Ask relevant questions and document as needed. If the borrower is moving to a different state, can they work remotely? If self-employed, how will they be able to continue with the business in another area? Review paystubs for red flags such as inconsistent fonts, misspellings, deductions for taxes that aren't in line with pay, paystubs that don't contain check numbers or are out of sequence, etc. Execute the 4506-C, particularly if the borrower is self-employed, income isn't realistic for the borrower's position or size of employer, or amended returns were filed shortly before application. Google the employer to validate how long the company has been in business and to ensure the income is reasonable for the size/location of the business and nature of the industry (e.g., trucking dispatcher making $6,500/month yet transportation firm owns one truck and operates from a residential property). Implement a policy to reverify the borrower's employment as close to closing as possible or contact the borrower at their place of employment close to closing to confirm no changes in their employment or income. Have borrowers sign an attestation at closing stating they are still employed with current employer, intend to occupy subject as represented and have not opened any new debt prior to closing. **Enact Income Training:** **Review and Calculate Base Income** **Review and Calculate Misc Employment Incomes** **Shut the Door on Fraud Part I** **Shut the Door on Fraud Part II**

Program – Analyzing the Borrower's Program		
Defect	**Underwriting Guideline**	**Best Practices & Examples**
Occupancy Misrep Excessive Seller Contributions	Occupancy type matters due to the different levels of risk and guidelines pertaining to primary, second and investment properties. Lower risk transactions allow for high LTV's and lower interest rates. This difference could be an incentive for borrowers to misrepresent an investment property for a primary. Ensure team members know the difference between interested party contributions (IPC) and sales concessions. Verify that the IPC's don't exceed maximum allowed per LTV. For additional details on Owner Occupancy common red flags, see **Fannie Mae Mortgage Fraud Prevention** section in their Selling Guide.	**Example 1:** Misrepresented Occupancy – Loan closed as a primary residence; however, various websites show subject property was listed for rent as of 5/11/25 for $2,300/month. Loan closed on 4/4/25. Using full PITI for subject and departure property ratios exceed guidelines at 52.46%. **Example 2:** Excessive Seller Paid Closing Costs - Seller paid $10,000 (4.37%), which exceeds the maximum of $6,870 (3%) allowed per LTV. Reducing the sale price by excessive amount of $3,130 results in an LTV of 97%. Loan closed with LTV of 95%. **Best Practices:** Be aware of common red flags and question as necessary. Does primary occupancy make sense? Scrutinize letters of explanation. Have borrowers sign an attestation at closing stating they are still employed with current employer, intend to occupy subject as represented and have not opened any new debt prior to closing. Review homeowners' insurance policies for red flags. **Enact Income Training:** **Fraud: Latest Trends and Tips**

Assets – Analyzing the Borrower's Assets		
Defect	**Underwriting Guideline**	**Best Practices & Examples**
Insufficient Assets to Close Source of Funds Not Properly Documented for Large Deposits	Enact will accept GSE standard underwriting guidelines for asset assessment or the least restrictive of the GSEs' guidelines on manually underwritten loans. If funds from a large deposit are required for closing/reserves, documentation must be obtained to ensure those funds are from an acceptable source. If another borrower account is the source for the large deposit, that account must be documented and present in the loan file. For additional details on Assets, visit Fannie Mae Chapter B3-4: Asset Assessment or Freddie Mac Chapter 5501: Assets in their respective Selling Guides.	**Example 1:** Insufficient Verified Liquid Funds for Closing – including payoff of collection accounts and two months reserves, Borrowers are short funds for closing. Total funds required is $113,430; funds verified is $108,592.33; therefore, funds are short by $4,837.84. **Example 2:** Missing source of funds for large deposits into BofA is $9,894 on 06/10/25 and $8,500 on 06/15/25. Without these funds, Borrowers are short funds to close. **Enact Asset Training** **Asset Review**

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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