

MI Decision Tips



2nd 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	<p>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.</p> <p>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.</p> <p>For additional details on fraud prevention and best practices go to singlefamily.fanniemae.com/mortgage-fraud-prevention or sf.freddie.mac.com/working-with-us/fraud-prevention/emerging-fraud-schemes.</p>	<p>Example 1: Income Misrep – Borrower is a supervisor with a marble and granite company for 3 months making \$10,000/month paid bi-weekly. Red flags identified as (2) paystubs in file do not have any deductions for state or federal taxes and no check number, font of business name differs from other font. Borrower has always been in healthcare so new employment as a marble and granite supervisor making significantly more money is not supported. Borrower asset statements indicate direct deposits from a beauty company. Enact pulled a TWN VOE (2/18/25), which indicates Borrower is actively employed at this company. Enact has been unable to independently verify Borrowers' employment with the marble and granite company.</p> <p>Example 2: Income Red Flags Not Addressed – Rental income was used to offset departure PITI. Tenant on lease is related to the Borrower's spouse (not on loan but on tax returns), and per third party resources this individual is showing as residing in the property since 03/28/23, yet the lease starts 09/01/24. The departure is currently listed for sale as of 10/23/24. Removing rental income and adding in the undisclosed HELOC payment the DTI would be 70.52%.</p>

Income – Analyzing the Borrower's Income (cont'd)

Defect	Underwriting Guideline	Best Practices & Examples
		<p>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).</p> <p>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.</p> <p>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.</p> <p>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</p>

Program – Analyzing the Borrower’s Program

Defect	Underwriting Guideline	Best Practices & Examples
Occupancy Misrep	<p>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.</p> <p>For additional details on Owner Occupancy common red flags, see Fannie Mae Mortgage Fraud Prevention section in their Selling Guide.</p>	<p>Example 1: Misrepresented Occupancy – Loan closed as a primary residence; however, various websites show subject property was listed for rent on 12/17/24 for \$3,595/month. Loan closed on 10/29/24. DTI using subject, departure, other REOs and liabilities, is 51.97%.</p> <p>Example 2: Misrepresented Occupancy – Loan closed as a primary residence; however, various websites show subject property was listed for rent on 1/06/25 for \$3,100/month and amended on 2/12/25 to \$2,995/month. Loan closed on 10/25/24. Third party online research indicates the subject property is not occupied.</p> <p>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.</p> <p>Review homeowners' insurance policies for red flags.</p> <p>Enact Income Training: Fraud: Latest Trends and Tips</p>

Assets – Analyzing the Borrower’s Assets

Defect	Underwriting Guideline	Best Practices & Examples
Insufficient Assets to Close	<p>Enact will accept GSE standard underwriting guidelines for asset assessment or the least restrictive of the GSEs’ guidelines on manually underwritten loans.</p> <p>For additional details on Assets, visit Fannie Mae Chapter B3-4: Asset Assessment or Freddie Mac Chapter 5501: Assets in their respective Selling Guides.</p>	<p>Example 1: Insufficient Verified Liquid Funds for Closing as Submitted – Cash to close per closing disclosure statement was \$9,834.22. Verified liquid funds in the file are \$6,206 as of 10/01/2024 screen shot. Funds are short by \$3,628.22.</p> <p>Example 2: Short Funds to Close – Available assets are \$6,257 and funds needed to close are \$7,847 (includes \$1,500 in unsourced EMD); short \$1,590. The 1003 and LP list an additional account not in Borrower’s name; statement in file is in the name of another person. No gift noted, documented or received.</p> <p>Enact Asset Training Asset Review</p>

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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01804.0825

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