



4th 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
<p>Missing Income Documentation</p> <p>Missing VVOE</p>	<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>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.</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.freddiemac.com/working-with-us/fraud-prevention/emerging-fraud-schemes.</p>	<p>Example 1: Missing lease for departure showing \$5,000/month rent for net loss of \$2,392.86. Also, missing copies of the security deposit and first month’s rent check with proof of deposit for newly executed agreements. Including full PITI with HELOC \$6,517, DTI would increase to 63%.</p> <p>Example 2: Missing documentation to support co-borrower’s transfer, ability to work remotely or evidence of new employment. The 1003 shows the co-borrower currently resides in Brooklyn, NY, which is 7.52 hours from the subject property in Durham, NC. The 1003 indicates the co-borrower will occupy the subject property as primary residence. Current employment for the co-borrower has been verified; however, no documentation is provided to support if co-borrower is transferring or will have ability to work remotely or is obtaining new employment. Co-borrower’s current position is shown as Medical Officer in New York, NY.</p>

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

Defect	Underwriting Guideline	Best Practices & Examples
		<p>Best Practices: 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>Some Lenders have had the 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:</p> <ul style="list-style-type: none"> 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	<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 10/4/25 for \$1,300/month and relisted 10/17/25 for \$1,200/month and removed 11/13/25. TLO is reporting new tenant as of 12/6/25 – current. Including full PITI of departure, DTI is 84.72%. Loan closed on 9/27/25.</p> <p>Example 2: Occupancy Misrep – Subject is a purchase of two-unit property to occupy one unit as primary, 90% LTV. Both units were vacant at time of appraisal. Loan closed 10/31/25. Third party research shows that both units were listed for rent 11/1/25.</p> <p>Best Practices: Be aware of common red flags and question as necessary. Does primary occupancy make sense? Scrutinize letters of explanation. Some Lenders have had 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
<p>Insufficient Assets to Close</p> <p>Missing Asset Documentation</p>	<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: Missing source of funds for earnest money of \$4,000 given on 7/30/25 per receipt. Borrower is short \$2,690.70 to close and support reserves for Amex of \$1,322.90.</p> <p>Example 2: Missing Finicity reports dated 8/1/25 and 8/4/25 per DU findings or additional consecutive month bank statement for CapOne accounts x8679 and x2675 dated 6/30/25 documenting sufficient funds to close of \$77,371 (including EMD of \$2,000 not documented).</p> <p>Enact Asset Training</p> <p>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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