



1st Quarter 2026

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>Incorrect Income Calculation (not self-employed)</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>Income that fluctuates over time, such as OT, commission, hourly income, etc., must be analyzed for stability, predictability, and likeliness to continue. Document by obtaining a history of income, evaluate trends and average income over the required period.</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: Missing documentation to support activation of lease agreement for departure property per Fannie Mae guidelines. Required documentation includes proof of security deposit and first month’s rent check with evidence of deposits or Form 1007/1025.</p> <p>Example 2: YTD income does not support qualifying income of \$4,875/month. Borrower has been employed since 2/28/22. Paystub dated 5/11/25 shows \$25/hour with varying hours and total YTD income average of \$812.36/month. Missing explanation for the low YTD earnings to support including prior year earnings in average. DTI changes from 22.6% to 167% using lower YTD income to qualify.</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>While not currently a top finding, Enact is seeing an increase in self-employed income misrep, particularly among borrowers who have been in business more than 5 years. These borrowers often qualify with only one year of returns, which can reduce visibility into income stability and business trends. Reviewers should ask relevant questions, validate plausibility, and document. If the borrower is relocating, how will the borrower continue operating the business in another city or state? Why are there minimal expenses or large depreciation amounts on Schedule C? Schedule C is a frequent misrep touchpoint because it can be heavily influenced by deductions and expenses that change cashflow and qualifying income. Look for large depreciation deductions relative to gross receipts. Determine whether deductions appear consistent and make sense for the type of work. For example, a cleaning business should commonly show supplies/materials, car & truck expenses (or mileage), advertising or small equipment costs. If there are unresolved questions or red flags, execute the 4506-C to obtain IRS transcripts to validate the tax return data used for qualification.</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: Income Misrep- departure lease agreement was missing for \$2,900/month that was used to offset PITI. Per third party resources, departure was found to be listed for rent 1/26/26 for \$1,900 and removed 1/28/26. First months rent/deposit check in file dated 12/8/25, but was listed for rent shortly after closing (12/29/25). Including full PITI of departure DTI is 66.81%.</p> <p>Example 2: Misrep Occupancy/Income - Loan was approved as a primary purchase with borrowers retaining departing property using rental income to qualify. Enact’s reverification process has been unable to place the borrower at the subject property as third party vendor reports show borrower still at departure. Report also shows title was transferred back to seller after closing. Revised DTI without rental income is 73%.</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: Insufficient verified liquid funds for closing. Cash to close per closing disclosure statement was \$1,028. Verified liquid funds in the file are \$0.00; funds are short by \$1,028.</p> <p>Example 2: Insufficient verified liquid funds for closing. Cash to close per closing disclosure statement was \$985 if earnest money deposit of \$3,000 is confirmed as paid from verified assets prior to VOD/statement cutoff date. Verified liquid funds in the file are \$488; funds are short by \$497. Missing verification earnest money deposit cleared and verification of sufficient assets to close.</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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