



Mortgage Chat Q2 2025





Ask CrossCheck

Welcome to CrossCheck's *Mortgage Chat*, an informational series. CrossCheck Compliance addresses topics that arise as lenders originate, underwrite, and fund their residential mortgage products. These insights are intended to help clarify investor requirements regarding underwriting and quality assurance as well as provide best practices.

If you are a lender grappling with a mortgage question, we invite you to send your query to [Ask CrossCheck](#). Our team of mortgage experts are ready to provide the guidance and support you need.

Freddie Mac Key Selling Updates

On February 5, 2025, Freddie Mac issued a Guide Bulletin that included several selling updates.

Hybrid Appraisals: Expanded the hybrid appraisal eligibility to include all transaction types (purchase, no cash-out or cash-out), one-unit properties, including properties in a Planned Unit Development (PUD), as well as detached or attached Condominium units (effective April 7, 2025).

Automated Collateral Evaluation: Expanded the use of automated collateral evaluation (ACE) and ACE+PDR (Property Data Report) to purchase transactions. ACE appraisal waivers increased to 90% loan-to-value and ACE+PDR increased to the program limits (effective date February 24, 2025).

Property Eligibility: Properties with detrimental conditions will now require the appraisal be completed “subject to” and must include evidence that the repair was completed or an inspection that found no repair was needed. The appraisal requirements will be updated to include examples of deficiencies that indicate when the property is C5 or C6 condition and examples of minor repairs that allow the appraisal to be completed “as is” (effective for applications received on or after May 6, 2025).

Rental Income: Rental income guidelines were updated for non-subject investment properties or 2-to-4-unit primary residences when purchased or placed in service in the current calendar year.

Rent Payments: Expanded the use of positive rent payment history to include an alternative path to include rental history in the credit assessment. Sellers will be able to indicate at submission when a borrower’s rent payment history can be documented. The feedback will include a message to indicate when the positive rent history was included in the assessment and must be documented accordingly. (Note: This will require Freddie Mac written approval before selling such loans to them.)



Freddie Mac Key Selling Updates - Continued

Rental Income: Rental income guidelines were updated for non-subject investment properties or 2-to-4-unit primary residences when purchased or placed in service in the current calendar year.

Updated requirements	<p>The lease, <i>if available</i>, must be used to determine the net rental income.</p> <p>For a non-subject investment property:</p> <p>Guide Form 72, <i>Small Residential Income Appraisal Report</i>, or Form 1000, <i>Single Family Comparable Rent Schedule</i>, as applicable, may be used to document and calculate rental income when all of the following apply:</p> <ul style="list-style-type: none">▪ Property was purchased on or up to 45 days before the Note Date of the subject transaction▪ Lease is not available because the property is not yet rented▪ Each Borrower currently owns or rents a <u>Primary Residence</u>▪ Net rental income is used only to offset the monthly payment, unless at least one Borrower has a minimum of one year of investment property management experience <p>For a non-subject 2- to 4-unit <u>Primary Residence</u>:</p> <p>Form 72 may be used to document and calculate rental income when all of the following apply:</p> <ul style="list-style-type: none">▪ Property was purchased on or up to 45 days prior to the Note Date of the subject transaction▪ Lease is not available because the property is not yet rented
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Rent Payments: Expanded the use of positive rent payment history to include an alternative path to include rental history in the credit assessment. Sellers will be able to indicate at submission when a borrower's rent payment history can be documented. The feedback will include a message to indicate when the positive rent history was included in the assessment and must be documented accordingly. (Note: This will require Freddie Mac written approval before selling such loans to them.)

Sources: <https://guide.freddiemac.com/app/guide/bulletin/2024-16>
<https://guide.freddiemac.com/app/guide/bulletin/2025-1>



Fannie Mae Desktop Underwriter Version 12.0

On January 11, 2025, Fannie Mae released Desktop Underwriter (DU) Version 12.0. With this version, Fannie Mae has made enhancements to the assessment of several risk factors while still ensuring that borrowers have access to affordable and safe mortgages. Fannie Mae noted that stakeholders may observe that “some loans will now receive an Approve/Eligible recommendation that would have previously received an Approve/Ineligible or Refer with Caution recommendation, and vice versa, when compared to the current version of DU.” Highlights of the revisions include:

- DU will no longer look at the composition of the borrower’s revolving debts within the total monthly obligations.
- DU will no longer evaluate the borrower’s variable income.
- First time homebuyers will now be considered a mitigating factor in the DU risk assessment.
- The evaluation of rent payment history has been expanded to include certain additional borrowers currently paying rent and any rental account with a positive rent payment history reported on the borrower’s credit report.
- Eligible loans were expanded to borrowers with no credit score on purchase and limited cash-out transactions provided the non-traditional credit is documented with a 12-month asset verification report.
- The cash flow assessment has now been expanded to all borrowers.
- When the waiting period requirements for significant derogatory credit do not appear to have been met, DU will now issue an Approve/Ineligible instead of a Refer with Caution.
- The Value Acceptance + Property Data increased from 80% to the program limits.

Updated maximum LTV ratio	
Purchase transactions (1-unit only)	
Value acceptance	90% ¹
Value acceptance + property data	97% ² (up to program limits)

¹ Principal residences in “high-needs rural” locations are eligible up to a 97% LTV/105% CLTV (if the loan is part of a Community Seconds transaction) for borrowers at or below AMI, contingent on home property inspection.

² The CLTV may exceed the stated limit up to 105% CLTV only if the loan is part of a Community Seconds transaction.

Sources: <https://www.fanniemae.com/research-and-insights/perspectives/providing-greater-certainty-through-enhanced-risk-management>
<https://capitalmarkets.fanniemae.com/mortgage-backed-securities/fannie-mae-announces-desktop-underwriter-version-12>



Fannie Mae - Updates to Condo Project Manager Coming in Q2 2025

Fannie Mae will be introducing an update to Desktop Underwriter that will provide additional information from their Condo Project Manager (CPM) in the Property and Appraisal section of the DU report. This will allow lenders to more easily determine if a condo project has a current status with Fannie Mae, or if there are any restrictions to it. This update will apply to casefiles created on or after June 23, 2025.

CPM Data:

- If the subject address match occurs, a message added to the DU report with the project name and CPM identifier.
- If no match can be found, the lender can request that a project be added to CPM, or provide the CPM ID and resubmit the casefile to DU.

Status Messages:

- Approved by Fannie Mae – the project has an approved status, and the lender the project and unit insurance coverage.
- PERS Required – the project must be submitted under the Project Eligibility Review Service, and must be approved by Fannie Mae in CPM by the note date.
- Unavailable – the project is unavailable in CPM and will receive an Ineligible recommendation for DU.

If there is currently no Fannie Mae decision in CPM, the following messages may be added to the DU report:

- Not Certified by Lender – a full review is required with a Certified by Lender status is required.
- Certified by Lender – the lender currently has an active Certified by Lender status.
- Guide Ineligible – a full review is required with a valid Certified by Lender status.
- Guide Ineligible and Certified by Lender- the lender currently has Certified by Lender and Guide ineligible status for the phases of the project. A full review and Certified by Lender status is required for the subject property phase.

Source: <https://singlefamily.fanniemae.com/media/41851/display>

Post-Disaster Appraisal Guidance

Given the increasing rate of natural disasters such as fires, hurricanes, and flooding in the U.S., staying up to date on agency requirements regarding post-disaster property condition reports is critical for lenders. Below are some highlights from Fannie Mae's policy and important FAQs on the topic from Freddie Mac. Please note the differences regarding automated valuation requirements.

FNMA Seller Guide B2-3-05 (3/1/2023)

Properties Affected by a Disaster

The Mortgage Selling and Servicing Contract requires the lender to warrant for each loan it delivers to Fannie Mae that the property is not damaged by fire, wind, or other cause of loss and that there are no proceedings pending for the partial or total condemnation of the property. The lender must be able to make the warranties that are described above. Therefore, before delivery of a loan to Fannie Mae where the property may have been damaged by a disaster, the lender is expected to take prudent and reasonable actions to determine whether the condition of the property may have materially changed. The lender is responsible for determining if an inspection of the property and/or new appraisal is necessary to support this warranty. If a property is located in a condo or co-op project, both the condition of the unit and the condition of the building in which the unit is located must be assessed.

Lenders should use the following criteria when determining if the loan can be delivered to Fannie Mae:

- If the property has been damaged and the damage does not affect the safety, soundness, or structural integrity of the property and the repair items are covered by insurance, the lender may deliver the loan to Fannie Mae. In these circumstances, the lender must obtain documentation of the professional estimates of the repair costs and must ensure that sufficient funds are available for the borrower's benefit to guarantee the completion of the repairs.
- If the property was damaged and the damage is uninsured or the damage affects the safety, soundness, or structural integrity of the property, the property must be repaired before the loan is delivered to Fannie Mae.

For DU loan casefiles with a value acceptance (appraisal waiver) or value acceptance + property data offer, the lender may exercise the offer as long as they have complied with the above requirements with regard to property condition and repairs. This applies in addition to the value acceptance requirements in [B4-1.4-10, Value Acceptance \(Appraisal Waiver\)](#), and [B4-1.4-11, Value Acceptance + Property Data](#).

Source: <https://selling.guide.fanniemae.com/sel/b2-3-05/properties-affected-disaster>



Post-Disaster Appraisal Guidance - Continued

FHLMC

Selling: Disaster Relief Policies FAQ

What documentation is necessary to determine the eligibility of a mortgage following a disaster?

Freddie Mac does not prescribe what type of documentation is required to verify the eligibility of a mortgage after a disaster. We recommend that the Seller's policies and procedures include documentation requirements sufficient for the Seller to represent and warrant the acceptability of the mortgaged premises and eligibility of the mortgage for sale.

Does Freddie Mac offer any flexibilities related to age of documentation for mortgages impacted by a disaster?

Yes. When the Federal Emergency Management Agency announces disaster areas that the President of the United States has declared to be eligible for federal aid in the form of individual assistance, Freddie Mac will permit an additional 60 days for age of documentation including property valuation and credit and capacity underwriting documentation. Sellers are required to deliver the Investor Feature Identifier "H37" code in order to use this age of documentation flexibility.

Will Freddie Mac suspend ACE appraisal waiver eligibility and appraised value representation and warranty relief in areas impacted by disasters?

It depends. Freddie Mac may decide to systematically suspend ACE appraisal waiver eligibility and appraised value representation and warranty relief on new Loan Product Advisor® or Loan Collateral Advisor® submissions following a disaster, depending on its size and impact. Should such a suspension occur, Freddie Mac will notify Sellers through a Single-Family Seller/Servicer Guide (Guide) Bulletin announcement. Should Freddie Mac decide to not suspend our ACE appraisal waiver eligibility or appraised value representation and warranty relief, Sellers must have policies and procedures in place to assess whether there have been any adverse impacts to the mortgaged premises to ensure eligibility prior to delivery to Freddie Mac.

Sources: <https://sf.freddiemac.com/faqs/selling-disaster-relief-policies-faq>



Contact Us

CrossCheck Compliance LLC is a nationwide regulatory compliance and risk management consulting firm focused on providing regulatory compliance, internal audit, fair lending, loan review, due diligence, and litigation support services for the financial services industry. The firm's professionals have deep regulatory understanding and operations experience to develop effective compliance strategies and deliver high impact outcomes for clients.



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Todd is a senior mortgage executive with over 25 years of mortgage lending experience. He has operational experience as both a portfolio investor and mortgage banker. The Loan Review practice led by Todd performs pre-funding quality assurance and post-closing quality control, as well as operational audits of origination and quality control departments, and repurchase, fraud, and servicing reviews. Due diligence services include rated securitizations, portfolio purchases/reviews, and mergers and acquisitions. The Litigation Support practice provides expert services including file review, reports, and testimony in relation to mortgage-backed securities, servicing, and repurchase matters.

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Tim is a mortgage executive with more than 20 years of mortgage lending experience. He has had operational experience with several mortgage bankers. As a compliance manager, he has been effective in minimizing regulatory liabilities through guideline development and risk management, in adherence to industry standards. Tim has worked closely with federal and state auditors to manage and improve the loan process through employee training and work flow changes.

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Andrew has been in the mortgage industry for over 20 years with varied experience in sales management, residential and consumer lending, as well as marketing, market analysis, marketing plans, and customer retention. At CrossCheck, Andrew has participated on a variety of engagements including review of loans in mortgage-backed securities subject to litigation, mortgage repurchase requests, fraud reviews, and quality control reviews. Prior to joining CrossCheck, Andrew has been an underwriter for money center banks, mortgage bankers, and mortgage insurance companies.

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Betsy is a mortgage executive with more than 15 years of mortgage lending experience. She has had operational experience with several mortgage bankers. As an underwriting manager, she has been effective in minimizing credit risk through guideline development and risk management, in adherence to industry standards.



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