



Mortgage Chat Q3 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.

Fannie Mae's Repurchase Trends Overview – Q1 2025

Fannie Mae's Q1 2025 Single-Family Loan Acquisition & Repurchase Trend Report reveals several key insights into recent repurchase activity. Most of the repurchase requests closed during the first quarter of 2025 were tied to loans originally acquired in 2022 and 2023. These loans were primarily flagged through quality control reviews of performing loans.

The most common defects leading to repurchase included income misrepresentation, issues with collateral valuation, and credit-related documentation errors. In some cases, rather than proceeding with a full repurchase, Fannie Mae resolved the issues through alternative remedies such as indemnification or loss-sharing agreements.

Source: <https://singlefamily.fanniemae.com/media/42781/display>



Fannie Mae's Ensuring Quality Control Updates

In June 2025, Fannie Mae released a new fact sheet outlining important updates to its quality control (QC) requirements and recommendations. These updates include several additions, clarifications, and revisions to the Selling Guide that lenders and QC professionals should be aware of.

Key Additions

- **QC Plan Requirements:** Lenders must now ensure their QC plans include guidance on self-reporting, corrective action, and reverification tracking as outlined in the Selling Guide.
- **Expanded Occupancy Reviews:** Reviews must now include second homes and investment properties as part of both prefunding and post-closing full reviews.
- **Monthly Summary Reporting:** Lenders are required to include all reverification results, including unsuccessful attempts, in their monthly summary reports to management.

Clarifications That Matter

Fannie Mae also addressed several long-standing questions from lenders and QC providers:

- **Employment Reverification:** Clarified that the purpose is to confirm the borrower was employed through the date of closing.
- **DU Validation Service:** If income or assets are validated through DU, recalculation is not required during prefunding—as long as the report ID matches the final DU findings.
- **Prefunding Review Definition:** Now explicitly includes both prefunding and pre-purchase reviews.
- **Self-Reporting Timeline:** The confirmation date is defined as the date the QC report is published.

These updates reflect Fannie Mae's continued commitment to improving transparency and consistency in quality control practices. Lenders should review their internal processes to ensure alignment with these new expectations.

Source: <https://singlefamily.fanniemae.com/media/42741/display>



Using Gift Funds for a Home Purchase

As home prices have steadily risen in recent years, gift funds from relatives or friends have become an increasingly common component of a borrower's financial contribution to a home purchase. According to the National Association of Realtors, 8% of all homebuyers in 2024 used gift funds. Among those, 27% of buyers aged 26 to 34 and 13% of those aged 35 to 44 received such assistance.



Given the ongoing concerns around housing affordability, this trend is expected to persist. As a result, it is essential for lenders to understand the varying documentation requirements for gift funds across different agencies.

Fannie Mae

Gift funds may come from a relative (by blood, marriage, adoption, or legal guardianship) or a non-relative with a close relationship (such as a domestic partner, former relative, godparent, or fiancé).

Required documentation includes:

- A gift letter, and
- One of the following:
 - Copy of the donor's check and borrower's deposit slip
 - Donor's withdrawal slip and borrower's deposit slip
 - Evidence of electronic transfer from donor to borrower or closing agent
 - Copy of donor's check to the closing agent
 - Settlement statement showing receipt of donor's funds

Freddie Mac

Eligible donors include the borrower's spouse, child, dependent, blood relative, guardian, fiancé, domestic partner, or an unrelated individual with a close, family-like relationship.

Required documentation includes:

- A gift letter, and
- One of the following:
 - Transfer of funds from donor's financial institution to borrower's account
 - Transfer of funds directly to the settlement or closing agent



Using Gift Funds for a Home Purchase - Continued

HUD (FHA Loans)

Acceptable donors include family members, employers or unions, close friends with a documented interest in the borrower, charitable organizations, or government agencies offering homeownership assistance.

Required documentation includes:

- A gift letter, and
- One of the following:
 - Donor's bank statement and evidence of deposit into borrower's account
 - Copy of donor's canceled check and deposit confirmation
 - Donor's withdrawal receipt and deposit confirmation
 - Evidence of electronic transfer to borrower's account
 - For settlement-verified funds: electronic transfer confirmation, bank-certified check, cashier's check, or other official bank check

VA Loans

Gift funds may be provided by individuals with no affiliation to any interested party in the transaction (e.g., builder, developer, or real estate agent).

Required documentation includes:

- A gift letter, and
- One of the following:
 - Evidence of borrower's deposit
 - Copy of donor's check or electronic transfer to the closing agent
 - Closing Disclosure (CD) showing receipt of donor's funds

Sources: <https://www.nar.realtor/sites/default/files/2025-04/2025-home-buyers-and-sellers-generational-trends-04-01-2025.pdf>
<https://selling-guide.fanniemae.com/sel/b3-4.3-04/personal-gifts>
<https://guide.freddiemac.com/app/guide/section/5501.4/highlight/gift%20funds#a>
<https://www.hud.gov/sites/dfiles/OCHCO/documents/40001-hsgh-update15-052024.pdf>
https://benefits.va.gov/warms/docs/admin26/m26-07/chapter_4_credit_underwriting.pdf

Non-QM Insights | Underwriting Considerations for Non-Qualified Mortgage Loans

Understanding Non-QM Lending

Non-Qualified Mortgage (Non-QM) programs are designed to serve borrowers who fall outside the traditional lending box—such as self-employed individuals, those with complex income streams, or borrowers with unique financial profiles. These programs offer flexibility, but that flexibility comes with added complexity. Underwriting guidelines can vary significantly by lender and product, often requiring more documentation and deeper analysis.

Common Underwriting Pitfalls to Avoid

When underwriting Non-QM loans, it's essential to be vigilant and proactive. Below are common red flags that can delay approvals or increase repurchase risk:

- **Insurance Discrepancies:** Homeowners insurance showing rental coverage on a property listed as a primary residence.
- **Conflicting Documentation:** Letters of explanation that contradict occupancy claims or loan application details.
- **Inaccurate Housing History:** Housing records that don't align with the borrower's current residence.
- **Undisclosed Properties:** Hidden real estate holdings revealed through credit reports, bank statements, or fraud checks.
- **Income Mismatches:** Deposits inconsistent with the business type, especially under bank statement programs.
- **Declining Income Trends:** Decreasing deposits that raise concerns about income stability.
- **High Business Expenses:** Expenses that exceed qualifying income under bank statement reviews.
- **Hidden Liabilities:** Undisclosed obligations evident in financial records.
- **Unexplained Large Deposits:** Irregular deposits lacking proper documentation.
- **Application Inconsistencies:** Material changes between initial and final 1003 forms.
- **Geographic Inconsistencies:** Borrowers relocating far from their workplace without justification. Secondary homes located unusually close to the primary residence.
- **Inconsistent CPA Letters:** Conflicting information from CPAs regarding income or business activity.
- **Cash-Out Misuse:** DSCR loan proceeds used for personal rather than business purposes.

Stay Diligent. Stay Compliant.

Non-QM lending opens doors for many borrowers, but it requires a sharp eye and thorough documentation. Staying ahead of these common pitfalls helps ensure sound underwriting and reduces risk exposure.



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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About the Experts

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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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