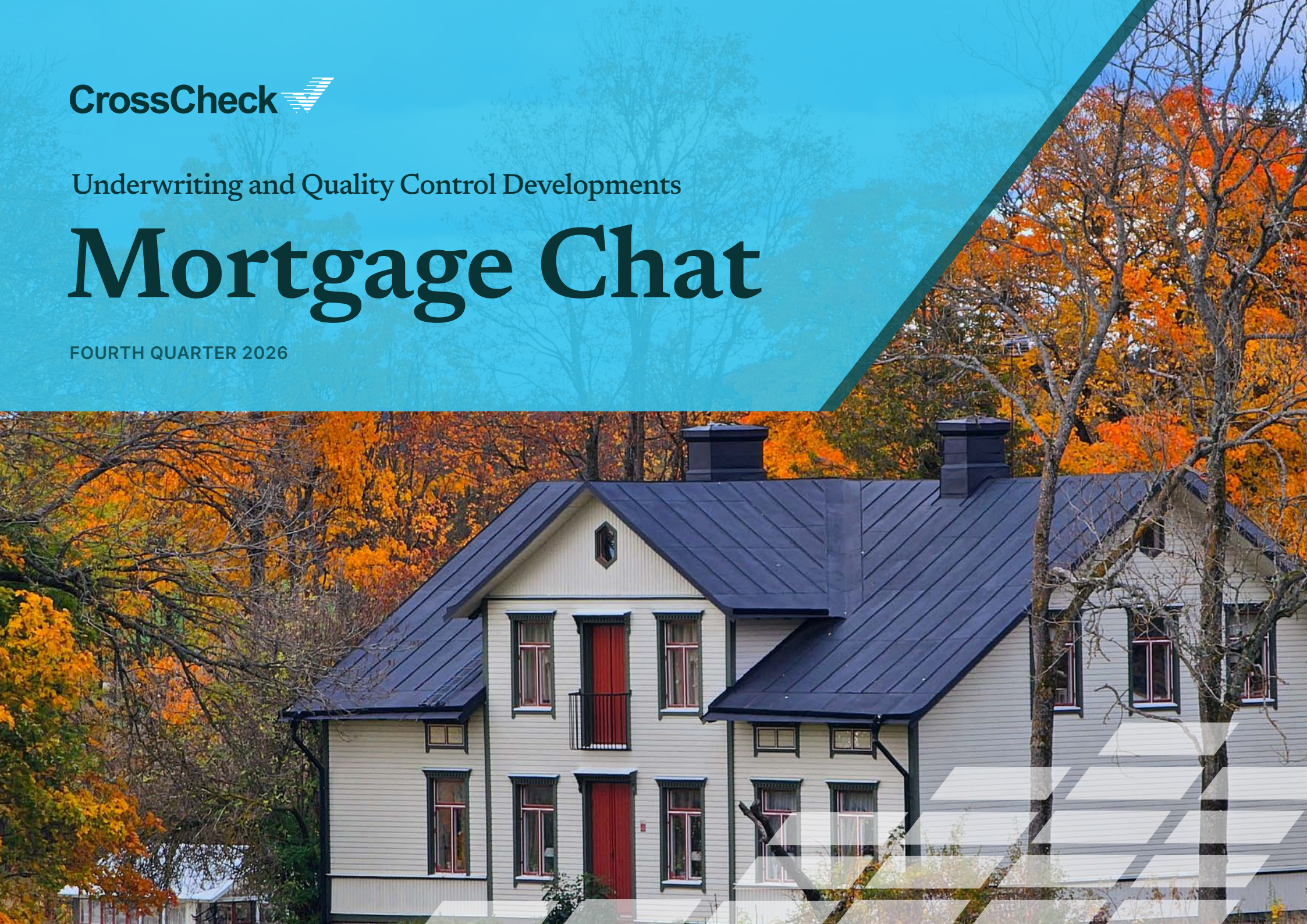




Underwriting and Quality Control Developments

Mortgage Chat

FOURTH QUARTER 2026



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Uniform Appraisal Dataset 3.6 Updates

Fannie Mae, Freddie Mac, and FHA have provided new updates on Uniform Appraisal Dataset 3.6 (UAD 3.6) implementation. The changes include GSE exception provisions and FHA's move toward broader UAD 3.6 adoption.

Fannie Mae and Freddie Mac

On September 30, 2026, Fannie Mae and Freddie Mac announced they are offering a policy exception for Sellers that are unable to meet the November 2, 2026, UAD 3.6 mandate. The mandate remains in effect; however, Sellers approved for the exception will be allowed to continue submitting UAD 2.6 appraisals for a limited period. The policy exception offer extends to Sellers delivering loans to Fannie Mae or Freddie Mac, as well as aggregators that purchase loans from third-party originators (TPO) that cannot ensure all of their TPOs are submitting UAD 3.6 appraisals.

A policy exception may be requested by completing the online UAD 3.6 Policy Exception Request. Sellers will be asked to acknowledge their business is unable to meet the UAD 3.6 mandate, commit to a final implementation plan, and provide detailed information regarding their final implementation plan. A policy exception request must be submitted to each GSE if applicable. The approved policy exceptions are one-time and will not be extended by either GSE.

Important Dates for the Exception Period

- **November 2, 2026:** UAD 3.6 mandate effective. Only Sellers with an approved exception may continue submitting UAD 2.6 appraisals.
- **March 1, 2027 - May 19, 2027:** Reduced functionality period. UAD 2.6 appraisals receive limited collateral risk scoring and are not eligible for collateral representation and warranty relief for value.
- **May 20, 2027:** Mandatory use of UAD 3.6 for all new appraisal submissions.
- **June 27, 2027:** Last day UAD 2.6 resubmissions will be accepted.
- **June 28, 2027:** UAD 2.6 retired; no further processing permitted.

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(Continued) Uniform Appraisal Dataset 3.6 Updates

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Federal Housing Administration (FHA)

On October 1, 2026, FHA announced the next phase of its transition to the modernized Uniform Appraisal Dataset 3.6 (UAD 3.6) and redesigned Uniform Residential Appraisal Report (URAR), which will replace the current appraisal forms with a single, data-driven appraisal report.

Although no mandatory FHA implementation date has been announced, lenders should ensure their appraisal and loan origination systems are being updated to support UAD 3.6 and the redesigned URAR. In addition, FHA's Electronic Appraisal Delivery (EAD) portal is now available for an optional broad production period, allowing mortgagees to submit appraisals using UAD 3.6.

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Fannie Mae Clarifies Rental Income Requirements

In September 2026, Fannie Mae released Selling Guide Announcement SEL-2026-08, which provided clarification of rental income eligibility and documentation requirements.

The announcement details the simplification and reorganization of Fannie Mae's rental income policies, with the goal of making the policies easier to apply consistently and better align qualifying methods with actual rental market practices.



The most significant impacts were the addition of short-term rental guidance, new rules for recently acquired investment properties, a revised approach to departing residences, and stronger lease documentation standards.

Some specific highlights include permitting alternative documentation options for short-term rentals, the establishment of standardized requirements for investment properties purchased within 45 days of the subject property, and the creation of a framework that better aligns with real-world conversion of a departing residence to a rental property.

Compliance is required for all loans with application dates on or after December 1, 2026; however, lenders may enact the changes immediately. Further details can be found here:

<https://singlefamily.fanniemae.com/media/48051/display>

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Freddie Mac Expands Income Documentation Options

Lenders can now use a written verification of employment while retaining the income calculation accuracy relief available through Freddie Mac's automated assessment framework.

In Guide Bulletin 2026-12, Freddie Mac announced its expansion of documentation options by allowing lenders to utilize a written verification of employment (VOE) while still obtaining the same income calculation accuracy relief available through Freddie Mac's automated assessment framework. Previously, automated income assessments primarily relied on other income documentation sources.

Freddie Mac requires the written VOE to contain:

- Signature, printed name, title, and contact information of the authorized employer representative
- Date the information was verified
- Borrower's name and employer's name and address
- Consideration of any additional employer comments regarding continued employment or income stability

*The impacted Selling Guide sections are 3402.2 and 5303.4.
The change was effective as of September 2, 2026.*



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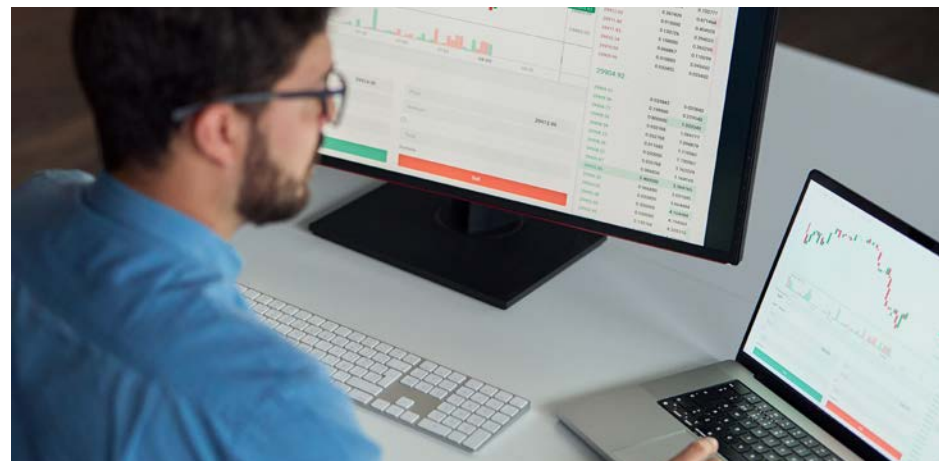
Fraud Watch: Occupancy Misrepresentation and AI-Generated Documents on the Rise

Occupancy misrepresentation and AI-generated loan documents present evolving challenges for lenders and their fraud prevention controls.

CrossCheck recently attended the MBA Compliance and Risk Management Conference which featured a fraud prevention track. Two significant areas of fraud risk that were frequently mentioned during these sessions were occupancy and the use of artificial intelligence (AI) to create fraudulent loan documentation. Both present serious compliance, repurchase, and credit risk concerns.

Occupancy fraud occurs when a borrower intentionally misrepresents how a property will be used. The most common form involves claiming that an investment property will be owner-occupied to obtain more favorable pricing, lower down payment requirements, or easier qualification. However, the reverse can also occur: a borrower may claim that an owner-occupied property will be used as an investment (commonly referred to as reverse occupancy fraud). This type of fraud is reportedly increasing, specifically with Debt Service Coverage Ratio (DSCR) loans, where a borrower may have the assets to close but not the monthly income to support the debt.

Lenders can combat occupancy fraud by conducting enhanced due diligence, validating borrower intent through multiple data sources, reviewing the ownership history and legal use of the property, and monitoring post-closing occupancy certifications and servicing records when available.



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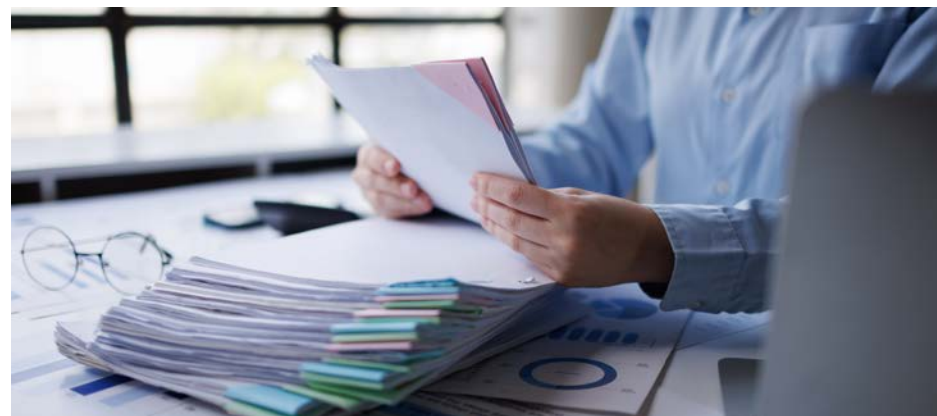
(Continued) Fraud Watch: Occupancy Misrepresentation and AI-Generated Documents on the Rise

Occupancy misrepresentation and AI-generated loan documents present evolving challenges for lenders and their fraud prevention controls.

The rapid advancement of AI tools has made it easier than ever to create highly convincing fraudulent income, identification, and asset documents. Many AI-generated documents appear authentic at first glance and may evade the traditional processor or underwriter review. As a result, lenders should place greater emphasis on obtaining information directly from trusted third-party sources whenever possible, including payroll providers, tax transcript services, asset verification providers, and digital verification platforms.

Additional best practices for identifying AI-generated or manipulated documents include:

- Compare data across multiple independent sources
- Train underwriting and quality control staff to identify signs of manipulated digital documents
- Incorporate fraud detection technology and document forensic tools into the origination process



While fraud tactics continue to evolve, the fundamentals remain unchanged: trust but verify. A combination of strong verification processes, technology-driven validation, staff training, and heightened awareness of occupancy misrepresentation and AI-generated documents can help lenders protect loan quality, reduce repurchase risk, and maintain compliance in an increasingly complex lending environment.

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Mortgage Chat 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.

Meet the Experts



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