

How Well Do You Know MPF Xtra® Product / Fannie Mae Underwriting Guidelines?

January 2026



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Webinar Objectives

- Understand how the MPF Xtra[®] product guidelines differ from those of Fannie Mae
- Provide an overview of recent MPF Xtra and Fannie Mae Selling Guide updates
- Test your knowledge of general eligibility requirements
- Review your understanding of underwriting guidelines through various scenarios



Underwriting MPF Xtra® Product Loans

- Loans may be manually underwritten, or Fannie Mae's Desktop Underwriter® (DU®) may be used
- In almost all cases, the guidelines published in the **Fannie Mae Selling Guide** should be followed for both manually underwritten loans and loans underwritten with DU
- The **MPF Xtra Selling Guide** provides information on **overlays** that supersede Fannie Mae's Selling Guide



Overlays

There are some property types, products, and loan features that are permitted by Fannie Mae that **are not eligible** under the MPF Xtra product

Examples of ineligible items*

- Co-ops
- Adjustable-rate (ARMs), balloon, and interest-only mortgages
- HomeStyle Renovation Loans
- HomeStyle Energy Loans
- High Loan-to-Value Refinance Loans
- Manually Underwritten Refi Plus Loans
- Shared Equity Transactions
- Government loans
- Loans underwritten with Freddie Mac's Loan Product Advisor (LPA)

**This list is not all-inclusive*

Notable 2025 Changes



Manufactured Housing

Select two enhancements Fannie Mae recently made to the manufactured housing guidelines

- a. Single-width homes are now eligible under the MH Advantage® option
- b. Multi-story manufactured homes are permitted
- c. 2-4-unit multi-family homes are permitted
- d. Homes with the Freddie Mac's CHOICEHome® label are eligible under the MH Advantage option

All answers a correct however, options b. and c. are not effective until Mar. 31, 2026, and are only available to lenders utilizing the UAD 3.6 appraisal dataset



Accessory Dwelling Units (ADU)

An ADU is a living area that is independent of the primary dwelling that may have been added to, created within, or detached from a primary dwelling

- Must have separate areas for living, sleeping, cooking, and bathroom facilities
- Must be located on the same parcel as the primary residence
- See Fannie Mae's Selling Guide for all ADU eligibility requirements



Fannie Mae Selling
Guide: B5-2

Fannie Mae Selling
Guide Announcement
SEL-2025-10

MPF Announcement
2025-98

Changes to ADU eligibility take effect on March 31, 2026 (UAD 3.6 is required)

2-3-unit properties may include ADUs

- The total number of units in the primary structure **plus** any ADUs must not exceed a total of four units

A one-unit detached property can have up to three ADUs on the property

A one-unit manufactured home (single-wide or double-wide) used as a primary dwelling may have one ADU

- All must be classified as real property

MH Advantage home as a primary residence (single or multi-wide) may include ADUs

- The number of dwelling units plus the ADUs may not exceed four units
- All must be classified as real property

Nontraditional Credit and DU

DU will no longer rely on the credit scores to determine credit documentation and homebuyer education requirements for borrowers with limited or no reported credit history

- Criteria/documentation findings are based on whether borrowers have **at least one credit or installment account**
- Manually underwritten loans still rely on credit scores to determine the need for nontraditional credit analysis



First-Time Homebuyers

Which of the following fits the definition of a first-time homebuyer

- a. A borrower who hasn't had an ownership interest in a residential property in the last three years
- b. A borrower who hasn't had an ownership interest in a primary residence in the past three years
- c. A single parent that had joint ownership of a principal residence with a spouse during the preceding three years
- d. A displaced homemaker

All the above fit the definition

How do I flag a borrower as a first-time homeowner if the Declarations section shows they had an ownership interest in the last three years?

- You can provide ***FTHB Exception*** in the *DU Policy Feature Description* associated with the borrower
- When this exception is used, a verification message will be issued requiring that you confirm that the exception still applies

Single-Close Construction to Perm Loans

When certain conditions apply, what is the maximum allowable age of income, employment, and credit documentation at the time of conversion?

- a. No older than 4 months
 - b. No older than 12 months
 - c. No older than 18 months
- c. 18 months (with conditions)

What must apply to use documents up to 18 months old?

- LTV, CLTV, and HCLTV ratios cannot exceed 95%
- Must be underwritten with DU and receive an Approve/Eligible recommendation

If either of the above conditions aren't met, or if the loan term was modified after the last DU submission, the borrower(s) must be requalified using income, employment, and credit documentation that are dated no more than 4 months prior to the conversion date

Interested Party Contributions (IPCs)

Financing Concessions

- Funds from an interested party used to pay items such as closing costs, pre-paid items, and interest rate buydowns
- Must fall within set limits which are based on LTV/CLTV ratios

Sales Concessions

- Non-realty items such as furniture, vacations, automobiles, decorating allowances, gift cards, etc.
- The value of the concession must be subtracted from the lesser of the sales price/appraised value which may change the LTV/CLTV ratio

Occupancy Type	LTV/CLTV Ratio	Max % of purchase price/appraised value (whichever is lower)
Primary or Second Home	> 90%	3%
	75.01% - 90%	6%
	75% or less	9%
Investment	All Ratios	2%

Interested Party Contributions

Which of the following does Fannie Mae consider to be a financing concession?

- a. Gift funds from a seller who is also an acceptable donor provided they are not a builder/seller or other interested party to the transaction
- b. Rebates from a real estate agent that are not credited towards the transaction
- c. Funds that have flowed through a third-party organization (such as a nonprofit) from an interested party to the borrower
- d. Up to 12 months of HOA fees

a., c., and d. are all financing concessions.

b. is a *sales* concession



Interested Party Contributions

Which of the following does Fannie Mae NOT consider to be an IPC:

- a. A lender credit due to premium pricing even if the lender is an interested party to the transaction
- b. Gifts of equity from the seller who meets the guidelines as an acceptable donor and other than being the seller have no other interest in the transaction
- c. Pro-rated real estate tax credits from the seller when taxes are paid in arrears
- d. A temporary rate buydown funded by the seller/builder

All but d.



Lender Contributions and Lender Incentives

Lender contributions are typically derived from premium pricing or direct lender funds and must be used towards closing costs and/or pre-paid items

Lender incentives are cash or cash-like contributions (like gift cards) or other items of value that are given to the borrower either directly by the lender or through a third party

Incentives are not a lender credit towards closing costs

In May of 2025, Fannie Mae announced that lender incentives are capped at what dollar amount?

\$2,500

Seller Tax Credits

Paul needs \$78,500 to close on his purchase, and you have verified only \$75,200

At closing, Paul will receive a \$7,450 credit from the Seller to cover 2025 real estate taxes that are paid in 2026

Can you apply the credit to his funds to close?

- a. Yes
- b. No
- c. Maybe

Maybe. Paul must escrow for taxes so the prorated tax credit from the seller can offset all or a portion of the funds needed for the escrow account



Guideline Scenarios and Eligibility



Know Your Loan-To-Values (LTVs)



The following LTV requirements apply when using DU

Purchase of a 1-unit investment property 85%

Cash-out refinance of a 1-unit primary residence 80%

Purchase of a second home 90%

HomeReady limited cash-out refinance 97%

Manufactured home (non-MH Advantage) limited cash-out
refinance 95%

Refinance Tolerances

Your borrower's payoff came in higher than expected and you need to increase their loan amount from \$150,500 to \$150,900. Do you need to resubmit to DU?

Maybe

Resubmission may be required if any of the following applies:

- The increase changes the loan level pricing adjustment (LLPA)
- The MI (if applicable) coverage/premium changes
- If loan eligibility changes (i.e., limited cash-out is now cash-out)

Permitted Refinance Tolerances

- The loan amount may increase by \$500 or up to 1% of the loan amount, whichever is less
- The loan amount may decrease up to 5% of the loan amount



Standard 97% LTV Option

The following
property/occupancy types are
eligible for the Standard 97%
LTV option

- One-unit principal residences
- Condo units
- Units in a planned unit development (PUD)
- MH Advantage homes

Fannie Mae Selling Guide: B2-1.3-01
and B2-1.3-02

Does Fannie Mae require that one of the borrowers is a first-time homebuyer when the LTV is over 95%?

Yes

Fannie Mae Standard 97% transactions must have at least one borrower who is a first-time home buyer

Affordable Options

Several differences exist between the Standard 97% option and HomeReady guidelines for purchase transactions

	HomeReady	Standard 97%
First-time home buyer requirements	None	At least one borrower must be a first-time buyer
Income limits	80% of AMI in all census tracts	No income limits
Mortgage Insurance	25% coverage for LTVs 90.01-97%, Standard coverage for LTVs of 90% or less. Minimum MI coverage may be used and is subject to the applicable LLPA	Standard MI coverage. Minimum MI coverage may be used and is subject to the applicable LLPA
Homeownership Education	If all occupying borrowers are first time buyers at least one borrower must complete homeownership education	If all occupying borrowers are first time buyers at least one borrower must complete homeownership education
Pricing Loan level pricing adjustments (LLPAs)	LLPAs are waived except for LLPAs related to minimum MI coverage	Standard LLPAs apply

Fannie Mae Selling Guide: B5-6-01-03, B2-2-06, B7-1-02, B2-1.3-01, and B2-1.3-02

Manufactured Homes



Fannie Mae Selling Guide: B2-3-02

Fill in the blanks:

Fannie Mae requires a manufactured home to be at least 400 square feet and at least 12 feet wide

Yes, or no?

Cash-out refinances of single-wide units are permitted for both standard and MH Advantage manufactured homes

No

- Cash-out refinances are permitted on multi-width, primary residences only
- The maximum LTV is 65%

Single-Close Construction to Perm Loans

Diane and Tim's C-P loan is converting to permanent financing

They would like to reduce the balance of their permanent loan by \$100,000

If the bank statements collected at the time of closing support sufficient assets to cover the additional funds, does asset documentation need to be updated?

- a. Yes
- b. No
- c. Maybe

Maybe or Yes

You'll need updated statements if the original asset documentation is expired at the time of conversion



Condo Project Standards

Tammy is reviewing a condo project

The questionnaire indicates that a special assessment is planned but not yet approved or in effect

What action(s) should Tammy take?

- a. Ignore it
- b. Find out if it relates to a critical repair
- c. Obtain any information available to estimate what the borrower's obligation will be
- d. Decline the project

b. Find out if it relates to a critical repair



Condos: Critical Repairs



Critical Repairs are repairs or replacements that significantly impact the following:

- Safety
- Soundness
- Structural Integrity
- Habitability
- Financial viability or project marketability

Condos: Critical Repairs

Conditions related to Critical Repairs may include:

Uncorrected deficiencies that may result in a critical element or system failure within one year

Mold, water intrusions, or potentially damaging leaks

Advanced physical deterioration

Any project that has failed a to pass a state, county, or other mandatory inspection or certification related to safety, soundness, or habitability

Any unfunded repairs totaling more than \$10,000 per unit that should be undertaken within the next 12 months*

*does not include repairs made by the unit owner or repairs funded through a special assessment

Vested Assets: 20% Liquidation Threshold



Gwen needs **\$41,300** to for her downpayment and closing costs. She plans to use the following funds:

Checking: **\$10,000**

Gift: **\$15,000**

The remaining amount is coming from her mutual fund account which has a verified balance of **\$20,000**

Does Gwen need to provide evidence of liquidation for the mutual fund portion of the funds to close? **No**

$\$41,300 - \$25,000 = \$16,300$ (amount Gwen needs to liquidate)

$\$16,300 \times 20\% = \$3,260$

$\$16,300 + \$3,260 = \$19,560$ this is the minimum balance in the mutual fund account required to waive the liquidation requirement

Non-Taxable Income



Which of the following do not require documentation to support that the income is non-taxable

- a. Social Security
- b. Child support
- c. Section 8 Housing Choice Voucher payments
- d. Public assistance payments

Both child support and Section 8 payments are non-taxable, and Fannie Mae does not require documentation

Documentation is required if grossing-up more than 15% of a borrower's Social Security income

Non-Taxable Income

15% Allowance

You may automatically gross up 15% of a borrower's Social Security benefit without additional documentation

Remember, only 15% of the total benefit is grossed up by 25%, not the entire amount

Monthly SS benefit amount: **\$2,363**

What is 15% of the total monthly benefit? **\$354.45**

Gross up \$354* by 25% : **\$88.50**

Add to the monthly SS benefit: **\$2,363 + \$89 = \$2,452**

**Rounded to the nearest dollar*

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A screenshot of the MPF National Education website. The page displays a list of four upcoming webinars, each with a date, time, title, and a "REGISTER >>>" button. The webinars are: 1. January 21, 2026, 1:00 PM - 2:00 PM CT, "How Well Do You Know MPF Xtra Product / Fannie Mae Underwriting Guidelines?". 2. February 3, 2026, 1:00 PM - 2:00 PM CT, "Calculating Rental Property Income". 3. February 12, 2026, 1:00 PM - 2:00 PM CT, "MPF University Welcomes MGIC: Evaluating and Calculating Borrower Income-Focus on Variable Income Sources". 4. February 18, 2026, 1:00 PM - 2:00 PM CT, "Researching Turnaround Reports and Submitting Exception Clearing Reports". On the right side of the page, there is a dark blue sidebar with the MPF logo and two links: "Questions or Suggestions for MPF Education?" and "Contact MPF National Education".

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