

# **Fannie Mae and Freddie Mac**

## **Mortgage Guidelines for the American Housing Market**



**Federal National Mortgage Association  
Washington, DC**



**Federal Home Loan Mortgage Corporation  
McLean, VA**

Fannie Mae and Freddie Mac are the giants of the secondary mortgage market. Without them, access to good mortgages in the U.S. would dry up and interest rates would skyrocket. Bank underwriters would be scared to approve loans and there would be very few non-bank lenders and virtually no mortgage brokers. The Fannie Mae underwriting guide is 1,250 pages long and the Freddie Mac guide is 1,800 pages. Back in the 1980's when I first subscribed to the guides, they were only sending hard copies in giant ring binders. They were a real pain to use on a regular basis. Fortunately, everything is now online.

The underwriting guides are an integral part of the loan origination process. There may be times when I will ask you to verify with your lender whether the loan you are considering is a Fannie Mae or Freddie Mac loan. You should also ask a prospective lender if they will provide you with their rate sheets on a daily basis. And, those rate sheets should show the specific point structures for a given interest rate based on the length of the rate lock. This can certainly be difficult and that's one of many reasons why you will need my help. I will tell you what to ask and how to ask it. Making it known to your loan officer that you are relying on a mortgage consultant may provide extra motivation for them to treat you fairly and honestly.

If a lender elects to sell a loan to either Fannie Mae or Freddie Mac, it must comply with the requirements set forth in their underwriting guides. So, every lender must keep copies of these two critical underwriting guidelines and that's why I keep copies of both handy. Over the years, I have been successful in overturning loan declines by quoting chapter and verse out of a guide to an underwriter that just guessed at what the actual guide requirement was. I have even won a few lunch bets when the underwriter refused to accept that I was right and they were wrong. And that's the power of having the Fannie and Freddie guides on hand. They are a valuable tool that very few loan officers have access to. When they have an issue, they have to call their underwriter. But not me! My 30 years in the business have taught me to be self-reliant when it comes to underwriting issues. You don't need to know all the guidelines from memory, you just need to know where to find them.

So, if you hire me as your consultant, you can feel confident that I can rely on the guides whenever I need to. The big lenders will incorporate the Fannie/Freddie guides into their own for special needs, but if they want to sell their loans to either Fannie or Freddie, they must go according to their underwriting gospel. And using Desktop Underwriter and Loan Prospector doesn't guarantee that a negative response can't be overturned. If the decline response seems dubious, I can show you how to challenge it.

Check out this link: <https://www.fanniemae.com/content/pricing/llpa-matrix.pdf>