

Adverse Action Letters Q&A

1. Why has Fannie Mae issued operating procedures in the Guide regarding Adverse Action Letters?

The Equal Credit Opportunity Act (ECOA) and Regulation B require certain notices to business credit applicants about the decision after credit is requested, including adverse action notifications. For Fannie Mae's compliance, we require you to issue an adverse action notice on our behalf if Fannie Mae declines to provide an initial quote for a Pre-Review Mortgage Loan submitted in DUS Gateway, and the Borrower has not accepted financing from any of your other (i.e., non-Fannie Mae) financing sources.

2. What is new with this Guide Update? Fannie Mae updated the process for documenting denials of Pre-Review Mortgage Loans submitted in DUS Gateway for approval consideration. The updated operating procedures describe when you must send an Adverse Action Letter to a Borrower regarding a Pre-Review Mortgage Loan transaction you submitted in DUS Gateway.

3. When must the Lender provide an Adverse Action Letter on behalf of Fannie Mae? For Pre-Review Mortgage Loans that were submitted in DUS Gateway for approval, Fannie Mae requires the Lender to send the Borrower an Adverse Action Letter on Fannie Mae's behalf when Fannie Mae declines to provide an initial quote on a transaction and the Borrower does not proceed with other financing offered by you from a non-Fannie Mae source.

4. In what situations will Fannie Mae not issue a Notice of denial? Fannie Mae will not issue a notice of denial when Fannie Mae:

- restructures the transaction by offering terms other than what the Borrower requested (e.g., offering a lower LTV);
- declines individual Pre-Review reasons/waivers, or approving the transaction with modified terms;
- issues an authorization;
- returns deals to you for incomplete information;
- issues a quote with conditions;
- has been informed that you did not to proceed with a transaction (e.g., you withdraw the transaction based on your screening and due diligence); or
- issues at least one quote, but the transaction does not proceed for any reason.

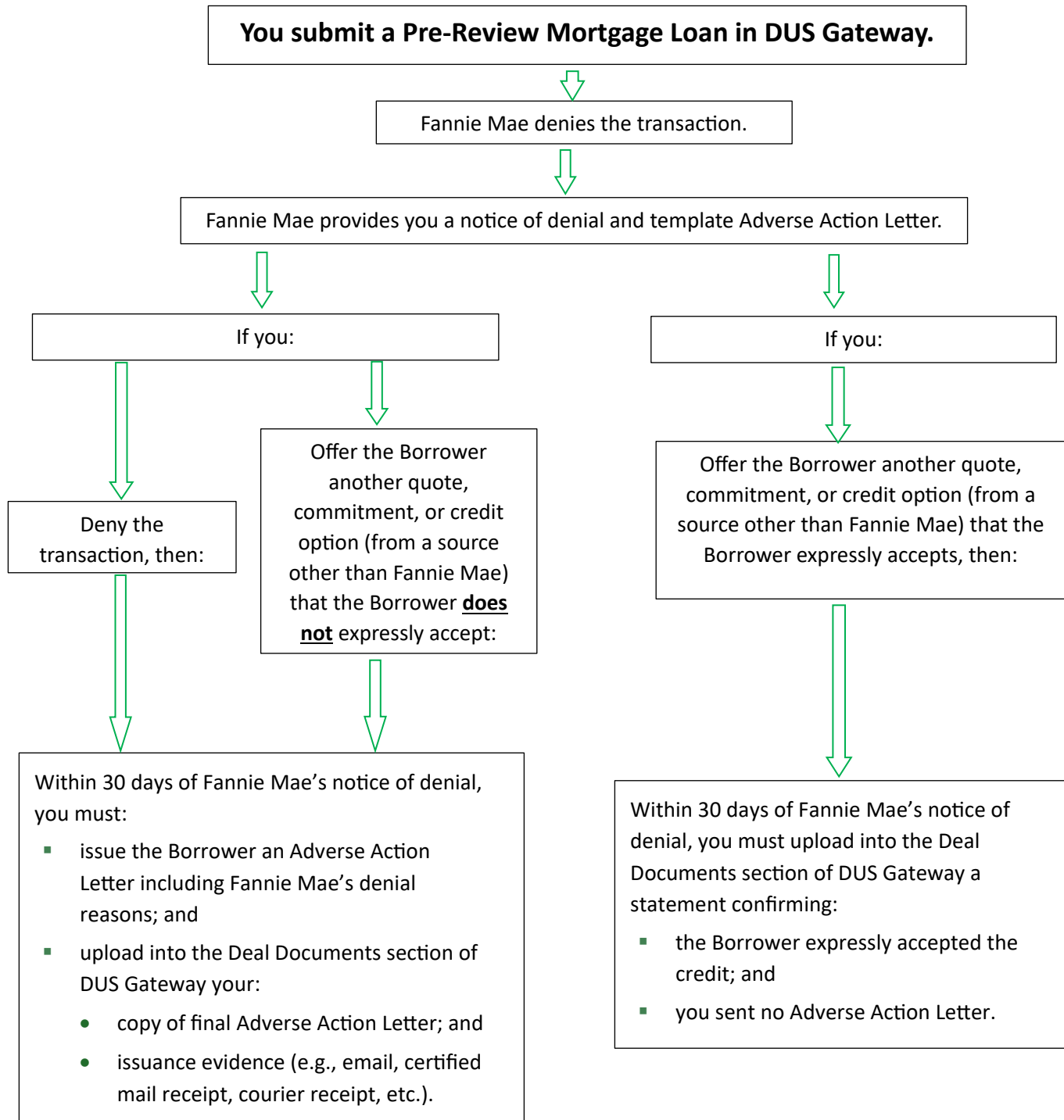
5. Who must send the Adverse Action Letter? Fannie Mae is requiring you to send the Adverse Action Letter on Fannie Mae's behalf because (a) the Borrower applied for credit from you, and (b) you are in the best position to know if the Borrower accepts your financing offer from another source, in which case no notice is required.

6. Has Fannie Mae changed its approach for denying transactions? No, Fannie Mae's deal decisioning criteria have not changed, only the process and how it must be documented.

7. Can I incorporate Fannie Mae's denial notice into my own form of Adverse Action Letter? Yes, in which case you will be sending the notice on behalf of yourself and Fannie Mae. The combined Adverse Action Letter must include:

- Fannie Mae’s denial reasons;
- Fannie Mae’s contact information;
- language stating information that the Federal agency administering compliance with this law for Fannie Mae is the Federal Trade Commission, Equal Credit Opportunity, Washington, DC 20580; and
- any additional information you determine as necessary to comply with applicable law.

8. **What do you need to do as of July 13, 2023?** You must comply with the new Guide operating procedures for Pre-Review Mortgage Loans that are declined by Fannie Mae. The general process is:



9. Will Fannie Mae provide formal training on the process for issuing Adverse Action Letters? Yes, targeted online training is expected in August.

10. Who can you talk to if Fannie Mae denies a transaction you submitted on or after July 13, 2023?
The Fannie Mae Deal Team and Credit Underwriting Team assigned to the transaction will walk you through the process.