

# Desktop Underwriter/Desktop Originator Release Notes

## DU Version 11.0 March Update

Jan. 19, 2022

Updated Feb. 17, 2022

During the **weekend of March 19, 2022**, Fannie Mae will implement an update to Desktop Underwriter® (DU®) Version 11.0. The changes in this release will apply to DU Version 11.0 loan casefiles **submitted or resubmitted** on or after the weekend of March 19, 2022.

The changes in this release include the following:

- Desktop Appraisal Option
- High-balance LLPA Waiver
- Potential Casefile ID Reuse Update
- DU Validation Service Update
- Rent Payment Identification on VOA Reports (*Added Feb. 17, 2022*)
- Updates to Align with the *Selling Guide*

### Desktop Appraisal Option

Loan casefiles meeting the following requirements will receive the option to obtain a desktop appraisal reported on *Uniform Residential Appraisal Report (Desktop)* (Fannie Mae Form 1004 Desktop):

- includes a complete subject property address,
- is a purchase transaction,
- the loan is secured by a one-unit principal residence,
- the loan-to-value (LTV) ratio is less than or equal to 90%, and
- the loan casefile receives an Approve/Eligible recommendation.

**Note:** *When DU has offered and the lender has obtained the desktop appraisal, the loan will remain eligible for delivery with the desktop appraisal if the loan amount does not increase and all other requirements continue to be met, even if the LTV ratio increases to a value over 90% due to the value returned on the desktop appraisal.*

The following transactions are not eligible for the desktop appraisal option:

- second homes and investment properties;
- limited cash-out and cash-out refinances;
- construction-to-permanent loans;
- two- to four-unit properties;
- community lending mortgages (HomeReady® and HFA Preferred™ mortgages);
- HomeStyle® Renovation and HomeStyle Energy loans;
- Community Seconds® with a subsidized sales price, community land trusts, or other properties with resale restrictions (loan casefiles using the Affordable LTV feature);
- condo and co-op units, and manufactured homes (including MH Advantage® properties); and
- DU loan casefiles that receive an Ineligible recommendation.



When the loan casefile is eligible for the desktop appraisal option, DU will issue a message informing the lender the loan casefile is eligible for the desktop appraisal, and if a desktop appraisal is selected the appraiser must include a floor plan exhibit in addition to all other required exhibits per the *Selling Guide*.

**Note:** *When the desktop appraisal option message is issued, DU will continue to issue messages regarding eligibility for an appraisal waiver and the requirement for an interior and exterior property inspection on the traditional Form 1004. This will ensure lenders are aware of all applicable appraisal options.*

For more information, refer to the About [desktop appraisals fact sheet](#).

## High-balance LLPA Waiver

Lender Letter LL-2022-01, *Loan-level Price Adjustments for Second Home and High-balance Loans* specified that the high-balance LLPA will not apply if any borrower on the loan is a first-time homebuyer and total qualifying income of all borrowers is less than or equal to 100% of the applicable area median income limit for the subject property's location. DU will issue a message on loan casefiles that are eligible for this LLPA waiver that will remind lenders the loan must be delivered with SFC 873.

## Potential Casefile ID Reuse Update

DU issues a message when it appears that the subject property address and/or Doc File ID have been modified to remind lenders that the DU loan casefile ID is unique to an individual mortgage loan and the same casefile ID may not be used to underwrite more than one mortgage loan. DU will now also issue this message with changes in occupancy (changes to or from principal residence to second home or investment property), and changes in loan purpose (changes to or from purchase to refinance).

## DU Validation Service Update

### Support of IRS Temporary Rule Related to Deduction of Business Meal Expenses

Internal Revenue Service notice 2021-25 temporarily modifies the amount that can be deducted for certain business meal expenses incurred after December 31, 2020, and before January 1, 2023. The DU validation service logic used to validate income for self-employed (Schedule C) borrowers using 2021 and 2022 tax transcripts is being updated. Refer to the DU Validation Service Reference Guide for details.

### Rent Payment Identification on VOA Reports **(added to release notes Feb. 17, 2022)**

Analysis continues to be performed to assess any potential updates to the logic that identifies the rent payment history on the VOA report. Based on recent observations, updates will be made to assist DU in being able to identify a rent payment history on VOA reports.

**Note:** *As continued analysis on this logic is performed, future updates will be made as necessary, and will be communicated in advance of the update being made in DU.*

## Updates to Align with the *Selling Guide*

### Unemployment Message Updates

With *Selling Guide* Announcement SEL-2021-11 income from unemployment benefits was included in the public assistance income policy and additional ways to consider unemployment income were clarified. The DU unemployment benefits messages will be updated to align with these changes.



## RefiNow™ Update

The logic that determines if a loan casefile is underwritten as RefiNow will be updated. Since loan casefiles with a representative credit score of less than 620 are not eligible as RefiNow, those loan casefiles will now be underwritten as standard limited cash-out refinances. DU will also issue a message stating that the loan casefile was not underwritten as RefiNow because the representative credit score is less than 620.

**Note:** For additional information on determining the representative credit score for a mortgage loan, refer to section B3-5.1-02 of the *Selling Guide*.

## Message on Number of Financed Properties on Community Lending Loans

Under existing *Selling Guide* policy, if an occupying borrower on a Community Lending loan (HomeReady or HFA Preferred mortgages) will be obligated on more than two financed properties, the loan is not eligible for delivery to Fannie Mae. DU currently issues a message on HomeReady and HFA Preferred loan casefiles when the loan application indicates the borrower will be obligated on more than 2 financed properties, but does not currently display the number of financed properties derived by DU. A new message will now specify the number of financed properties derived by DU.

## HomeStyle Renovation Data Entry Reminder

DU will issue a message when the Renovation indicator is selected on the Uniform Residential Loan Application, Lender Loan Information (L1) but there is not a value for renovations entered in Qualifying the Borrower. This message will remind lenders that if the loan is intended to be a HomeStyle Renovation transaction, the amount of the renovations must be entered in Line B of Qualifying the Borrower (L4.B).

## Employment Documentation for Second Jobs

On the redesigned Uniform Residential Loan Application employment income is provided at the employer level (no longer at the borrower level). Because of this, DU is now able to determine if income from a second job disclosed on the loan application is being used in qualifying and will only issue a documentation requirement for that income when it is being used in qualifying.

## Gift and Grant Messaging

When the borrower indicates that a gift or grant has already been deposited those funds are not included as available assets. As a result, the amounts are not listed in the DU message specifying the amounts of all liquid assets. DU will issue a new message that will specify the dollar amount associated with gifts and grants that have been deposited to ensure the appropriate documentation is obtained by the lender.

## Miscellaneous Message Text Changes

To continue to provide clarity and consistency with the *Selling Guide*, various DU messages will be updated.

## For More Information

For more information about these Release Notes, lenders may contact their Fannie Mae Business Account Management Solutions (BAMS) team, and mortgage brokers should contact their DO sponsoring wholesale lender. For technology considerations, an Integration Impact Memo will be posted on the [Technology Integration](#) page.