

## DO/DU Case #4: VA Mortgage

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### **Purpose:**

Get practice using Desktop Originator<sup>®</sup>/Desktop Underwriter<sup>®</sup> (DO<sup>®</sup>/DU<sup>®</sup>) to evaluate a VA mortgage for borrowers purchasing a primary residence.

By using the data provided in this practice case, you will see how you can enter minimal data in DO/DU to create a loan casefile and submit it for a quick underwriting recommendation. You may also use this practice case as a basis to explore the DO/DU underwriting process with other loan products, property types, and interest rates. All credit and underwriting submissions for this practice case are free of charge, as long as the Test Credit Agency (200) is selected as the credit vendor.

For an actual loan casefile, additional data elements from the 1003 may also be required. You would also need to comply with the underwriting conditions described in the DU Underwriting Findings Report for the loan casefile.

**Note:** You are encouraged to use the Help Center, which gives you quick and easy online access to a database of help information about DO/DU. You can access this valuable resource by clicking the Help Center link in the upper-left corner of any DO/DU screen.

A VA loan is guaranteed by the U.S. Department of Veterans Affairs. The VA is an agency of the federal government that guarantees residential mortgages made to eligible veterans and service members. The guarantee protects the lender against loss in the event of the borrower's default.

### **Case Study Highlights:**

- Enter data for a VA loan
- Entering a job-related expense
- Ordering a credit report
- Entering data for a second job

### **Data Entry:**

You can create the 1003 loan application data in DO/DU in one of the following ways:

- Transfer the 1003 data using a loan origination system (LOS) with seamless connectivity to DO/DU.
- Enter the 1003 data directly into DO/DU by clicking **Create Loan** on the Loan List screen.
- Import the 1003 data manually from a Fannie Mae readable file by clicking **Import Loan** on the Loan List screen.

**Note:** The instructions provided in this practice case assume that you are entering the data directly into the Quick 1003 of the DO/DU user interface. If you are using an LOS, the steps for data entry will vary. Refer to your LOS documentation for details on data entry.

### **Expected Underwriting Recommendation from DU:**

Approve/Eligible

**Meet the Borrowers:**

John and Mary Homeowner are applying for a VA loan to purchase a home.

*Note: The borrowers used for DO/DU testing and training purposes are fictitious and do not relate to real people. The names, addresses, and Social Security numbers were created at random, and any similarity with real individuals/addresses is unintentional.*

**Borrower information.** John's Social Security number is 999-40-5000 and Mary's is 500-22-2000. They currently reside at 175 13<sup>th</sup> Street, Washington, DC, 20013. John and Mary have no dependents.

**Order credit report:**

After completing information on the Borrower Information screen in the Quick 1003, you can order a three-in-file merged credit report using the steps below.

1. Click **Submit** at the bottom of the screen.
  2. Select **Credit Only**. The Select Reissued or New Credit screen appears.
  3. To request a new credit report, select **Request a new credit report**.
  4. Click **Next** at the bottom of the screen.
  5. For this case, select or enter the following information:
    - **Test Credit Agency (200)** as the credit vendor
    - **1234** as the account number
    - **fnma** as the PIN
    - Select **Yes** for the "Do you want to auto-populate the liabilities from the credit report to the 1003?"
- Important:** On your actual loan casefiles, select a credit vendor with which you have set up a relationship for DO/DU and enter your account number and password. Please contact your credit provider to obtain this information.
6. Click **Submit** to order the credit report. A processing screen appears indicating the status of the request. Simply wait for the processing to complete. The Loan Information screen displays the credit status.
  7. Review the credit report by clicking the **Complete** link. To print a hard copy of the report, click **Print Report** just above the Credit tab.
  8. After reviewing the credit report, navigate back to the Loan Information screen.
  9. Return to the 1003 data entry screens by clicking the **Edit Loan** link in the navigation bar of the Loan Information screen.

**Property and loan information.** John and Mary Homeowner are purchasing a one-unit, primary residence located at 5510 Chico Blvd, Frederick, MD, 21705. For the street address, the data should be entered as follows:

- Number: 5510
- Street Name: Chico BLVD
- Unit: (leave blank)

They applied for a VA 30-year fixed-rate loan with a base amount of \$80,000 and an interest rate of 5.5%. The property is held in fee simple.

**Employment.** To enter data in the Employment Information screen, click the **Employment Information** link in the navigation bar. John Homeowner has worked with the same employer for two years and two months. John has also had a part-time job since January 2, 1999. Mary has been with the same company for three years and seven months. You do not need to enter the names of their employers, as this information is not required for an underwriting recommendation.

**Income.** John's gross monthly base income is \$3,380, and he also receives \$300 in part-time income. These should be combined (\$3,680) and entered under Base Income for John. Mary earns \$1,100 per month and also receives Other Income for alimony/child support in the amount of \$400.

**Housing expenses.** John and Mary currently pay \$500 in rent. The proposed monthly housing expense should include \$75 in hazard insurance, and \$225 in real estate taxes. The total monthly payment should be \$763.32.

**Real Estate Owned.** John and Mary do not own real estate.

**Assets.** John and Mary have a checking account with a \$570 balance and a savings account of \$3,500. They also received a \$3,500 check from John's mother, which should be entered as a gift.

**Liabilities.** Liabilities should already be populated in this section from the three-in-file merged credit report. John also makes \$45 monthly payments on tools he uses for his job, with 13 months left to pay. This job-related expense needs to be added in the Additional Expenses section.

**Details of transaction.** The purchase price is \$80,000, and estimated closing costs are \$1,500. The VA Funding Fee is 2% of the sales price, so enter \$1,600 in line g. Because the VA Funding Fee is being financed, also enter \$1,600 in line n. The seller will pay \$1,000 in total closing costs (\$500 for seller-paid prepaids and \$500 for seller paid closing costs), which should be entered in line k. Enter \$500 for Cash Deposit on Sales Contract in the Other Credits section, which will update line l. The amount \$81,600 should appear in line o. The funds required to close is \$0.

**Declarations.** All declaration questions need to be answered accurately. Declaration items a. through i. are all "No" for both borrowers. Both John and Mary are U.S. citizens, and they intend to occupy the property as their primary residence.

**Additional data.** The appraised value of the property is \$80,000, and the property type is detached.

**Government data.** Indicate that the borrower is married to the co-borrower. The entitlement amount for the borrowers is \$36,000. The monthly maintenance on the property is \$50, and the monthly utilities are \$160.

**Note:** The Agency Case Number is not required to obtain an underwriting recommendation, but is required before submitting the loan to VA.

In the Total Taxes field enter \$736 for John, \$300 for Mary.

**Tip:** Enter the sum of all federal, state, social security and local income taxes for each borrower in the Total Taxes field.

**Submit the loan casefile for an underwriting recommendation:**

If you are using DO:

1. Click **Submit**.
2. From the Select Credit and Underwriting Options screen, select **Underwriting Only**, then click **Next**. The Select Submission Options screen appears.
3. Under “Select a submission option,” select **Preliminary Findings**.  
**Note:** Alternatively, you could select a sponsoring lender and follow the regular process for submitting an Interim loan casefile to the sponsoring lender.
4. Select **Single Product** in the second drop-down list.
5. Click **Submit** to submit the loan casefile for an underwriting recommendation. A processing screen appears indicating the status of the request. Simply wait for the processing to complete. The Loan Information screen displays the underwriting status.
6. For the detailed findings, view the Underwriting Findings report by clicking the **View Findings** link in the navigation bar. To print a hard copy of the report, click **Print Report** just above the Findings tab.
7. After reviewing the report, navigate back to the Loan Information screen.

**Note:** An **Interim** submission sends the loan casefile to the sponsoring lender for underwriting, but you retain ownership of the data as the originator. When you select **Final** as the Submission Type, you can no longer edit the loan casefile, because the ownership of the electronic 1003 and the edit rights are transferred to the selected lender. However, you can still view the activity of the loan casefile.

If you are using DU:

1. Click **Submit**.
2. From the Select Credit and Underwriting Options screen, select **Underwriting Only**, then click **Next**. The Select an Underwriting Service screen displays.
3. Select **Desktop Underwriter** as the underwriting service.
4. Click **Submit** to submit for an underwriting recommendation. A processing screen appears indicating the status of the request. Simply wait for the processing to complete. The Loan Information screen displays the underwriting status.

5. For the detailed recommendation, view the Underwriting Findings report by clicking the **View Findings** link in the navigation bar. To print a hard copy of the report, click **Print Report** just above the Findings Desktop Underwriter tab.
6. After reviewing the report, navigate back to the Loan Information screen.

**Printing a 1003:**

From the Loan Information screen, you can print a hard copy of the completed loan application (Form 1003). Click the **View 1003** link in the navigation bar. The completed Form 1003 appears. Click **Print Report** to print the 1003.

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