

DO/DU Case #1: 95% Fixed-rate Purchase Loan

Purpose:

Get practice using Desktop Originator[®]/Desktop Underwriter[®] (DO[®]/DU[®]) to evaluate a 95% LTV mortgage for borrowers purchasing a leasehold estate as their 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.

Case Study Highlights:

- Entering data for borrowers who share joint credit
- Ordering a three-in-file merged credit report
- Entering data for self-employed borrowers
- Entering “Other” income
- Entering “Cash deposit on sales contract”
- Entering a buydown option
- Entering “Estate in leasehold”

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 loan to purchase their first single-family 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. Mary's Social Security number is 500-22-2000. They currently rent a home located at 175 13th Street, Washington, DC 20013.

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. The Homeowners are applying for a \$156,350 conventional loan, with an interest rate of 4.875%, and a term of 360 months on a fixed-rate mortgage. The Homeowners are first-time homebuyers, purchasing a single-family home located at 2505 S. Creek Street, Mesa, AZ, 85208, as their primary residence.

For the street address, the data should be entered as follows:

- Number: 2505
- Street Name: S Creek ST
- Unit: (leave blank)

The estate will be held in leasehold.

Employment. To enter data into the Employment Information screen, click the **Employment Information** link in the navigation bar. John has been self-employed for one year. Mary is not employed. You do not need to enter the name of John's employer, as this information is not required for an underwriting recommendation.

Income. John's self-employment income should be entered as \$4,300. Additionally, he receives military base pay in the amount of \$250. Enter the description and amount of the military pay in the Other Income section.

Housing expenses. John and Mary are currently paying \$892 in rent. The proposed payments on the new home should include \$30 in hazard insurance, \$225 in real estate taxes, and \$92 in mortgage insurance, for a total monthly payment of \$1,174.42.

Assets. John and Mary have a checking account with a balance of \$2,475 and a savings account with a value of \$19,048.

Liabilities. Liabilities are populated into this section from the auto-populate feature of the credit report. For an actual live loan casefile, you should carefully review the information on the credit report with the borrower and make sure that it was properly mapped over from the credit report to the 1003.

Details of transaction. The purchase price for their home is \$165,000, estimated prepaids are \$1,100, and estimated closing costs are \$2,900. Because their earnest money deposit has cleared their bank account, enter \$350 for Cash deposit on sales contract under the Other Credits section. The funds required to close are \$12,300 (Line P).

Declarations. All declaration questions need to be answered accurately. Both John and Mary are U.S. citizens and intend to occupy the property as their primary residence. Neither borrower has previously owned property. Neither borrower has been declared bankrupt within the past 7 years. Neither borrower has had property foreclosed upon or given title or deed in lieu thereof in the last 7 years.

Additional data. The appraised value of the subject property is \$165,000, and the property type is detached. In the First Year Buydown Rate field, enter 3.875%.

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.

Notice: This practice case is provided solely for training purposes in conjunction with the use of certain technology applications licensed by Fannie Mae. The practice case is provided AS IS, and Fannie Mae disclaims all warranties and liability relating to any use of the practice cases.

© 2014 Fannie Mae. Trademarks of Fannie Mae.