

DO/DU Case #2: Limited Cash-Out Refinance

Purpose:

Get practice using Desktop Originator[®]/Desktop Underwriter[®] (DO[®]/DU[®]) to evaluate an 85% LTV mortgage for borrowers who are refinancing 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 two borrowers who share joint credit
- Entering data for a self-employed borrower
- Ordering a credit report
- Entering “Other” income
- Completing the Details of Transaction for a refinance

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:

Andy and Amy America are refinancing their primary residence in Massachusetts, which they have owned for six years, to get a fixed rate loan with a lower interest rate.

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. Andy's Social Security number is 999-60-3333. Amy's is 500-60-2222. Their current address is 4321 Cul de Sac Street, Someplace, MA 02723.

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. Andy and Amy America are refinancing their primary residence located at 4321 Cul de Sac Street, Someplace, MA 02723. For the street address, the data should be entered as follows:

- Number: 4321
- Street Name: Cul de Sac ST
- Unit: (leave blank)

They have applied for a conventional 30-year fixed-rate refinance loan in the amount of \$214,250 with an interest rate of 4.5%. The property has one unit and is titled as fee simple. Because they will receive less than \$2000 or 2% of the loan, select Limited Cash-Out for Purpose of Refinance.

Employment. To enter data in the Employment Information screen, click the **Employment Information** link in the navigation bar. Andy has been self-employed for one year and six months. Amy has been in her current job for 2 years and 2 months. You do not need to enter the name of her employer, as this information is not required for an underwriting recommendation.

Income. Andy's gross monthly base income is \$3,850 and Amy's is \$8,200. Additionally, they receive foster care income in the amount of \$250, which should be entered in the Other Income section.

Housing expenses. Andy and Amy's current principal and interest payment is \$1,493. Hazard insurance and real estate taxes are \$35 and \$163 respectively. The total proposed monthly payment for the new loan should be \$1,283.57.

Assets. Andy and Amy have a checking account with a balance of \$2,475 and a money market account with a value of \$19,048.

Liabilities. Liabilities should already be populated in this section from the three-in-file merged credit report. The mortgage on the subject property is with Best Ever Mortgage with an unpaid balance of \$210,279 and a monthly PITI payment of \$1,691. The Paid By Close and Subject Property Lien indicators should be checked for the subject property loan.

Details of transaction. In Line D of the Details of Transaction screen, enter the loan payoff amount of \$210,279. (This amount could include a prepayment penalty on the first lien, if applicable.) Estimated prepaid items are \$1,200, and estimated closing costs are \$800. The total costs are \$212,279. The loan amount, which was entered in the Types, Terms and Property Screen, is \$214,250. The Homeowners will receive an estimated \$1,971 cash back at closing, which should appear in Line P.

Declarations. All declaration questions need to be answered accurately. Both Andy and Amy are U.S. citizens, and they intend to occupy the property as their primary residence. They have jointly owned this property for six years. 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 \$255,000, and the property type is detached.

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 a 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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