DO/DU Case #6: High-Balance Purchase Loan

Purpose:
Get practice using Desktop Originator®/Desktop Underwriter® (DO®/DU®) to evaluate a 90% LTV high-balance mortgage loan application.

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
- Ordering a credit report
- Entering data for a high-balance mortgage loan in a high-cost area

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 a single-family home in suburban Maryland.

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 purchasing a single-family home located at 8709 Grosvenor Street, Silver Spring, MD 20910. For the street address, the data should be entered as follows:
- Number: 8709
- Street Name: Grosvenor ST
- Unit: (leave blank)

They have applied for a conventional 30-year fixed-rate loan in the amount of $450,000 with an interest rate of 5%. The property has one unit and is titled as fee simple. It will be their primary residence.
Employment. To enter data in the Employment Information screen, click the Employment Information link in the navigation bar. John has been in his current job for 7 years and 2 months. Mary has been self-employed for 12 years and 5 months.

Income. John’s gross monthly base income is $3,850 and Mary’s is $4,300. John receives $1,050 in commission each month.

Housing expenses. John and Mary are currently paying $2,500 in rent. The total proposed monthly payment for the new loan, including $65 for hazard insurance, $300 in real estate taxes, and $100 in mortgage insurance, is $2,880.70.

Assets. John has $18,500 in a savings account, $2,800 in a checking account and $12,000 in a money market fund. Mary has a $40,000 certificate of deposit.

Liabilities. Liabilities should already be populated in this section from the three-in-file merged credit report.

Details of transaction. The purchase price of the home is $500,000. The estimated closing costs are $3,500, which the seller has agreed to pay. The total costs are $503,500, and the loan amount, which was entered in the Types, Terms and Property Screen, is $450,000. The Homeowners will pay $50,000 at closing.

Declarations. All declaration questions need to be answered accurately. Both John and Mary are U.S. citizens, and they intend to occupy the property as their primary residence. 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 $500,000, 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.

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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