

# Desktop Underwriter/Desktop Originator Release Notes

## Support of the Redesigned Uniform Residential Loan Application

Dec. 8, 2020

On **Jan. 1, 2021**, Desktop Underwriter® (DU®) will begin accepting loan casefile submissions using MISMO V3.4 loan application submission files.

Detail on the following topics can be found below:

- New User Interface
- Missing Data Field Errors
- New and Updated Messages
- DU Validation Service Reference Number
- DU Underwriting Findings Report
- Net Equity for Pending Sale Properties
- DU for Government Loans

### New User Interface

A new User Interface (UI) supporting the redesigned URLA will be available on Jan. 1 to support submissions using the MISMO V3.4 loan applications. Users will be able to access the new UI through a new Desktop Originator® (DO®)/(DU) UI page. Specific information on navigating the new UI or performing specific tasks will be included in new DU User Interface Job Aids, which will be located under Resources on the new DO/DU UI page. The new UI page and its corresponding resources will be made widely available on Dec. 31.

The classic DO/DU UI will not support the MISMO V3.4 loan application. Only loan casefiles using the 1003 3.2 file or MISMO 2.3.1 file may be underwritten through the existing UI.

**Note:** Users that have access to the classic UI will have access to the new UI. No action will need to be taken by the user to use the new UI. In order for new users to obtain access to the new UI, refer to the Registering Users Job Aid under Resources on the new DO/DU UI page.

### Printing the URLA

When printing the URLA from the UI there will be several data fields that are on the form but not included in the data file that the lender (or borrower) will need to manually complete after printing. An example of this includes the “Does Not Apply” boxes.

### Missing Data Field Errors

Certain data fields are required for underwriting (loan purpose, loan amount, etc.). When those fields are not provided, DU issues an Error stating that the specific field is missing, and the error message specifies the current Form 1003 field. DU will use these same error messages when those certain fields are not provided in the redesigned URLA, and at this time the message will continue to reference the current Form 1003 field name and number.

### Subject Property Type

In the current loan application data, DU uses the Subject Property Type Code in the risk and eligibility assessment, and to issue the applicable project review messages. DU will use the following fields in the MISMO V3.4 file to determine if the property is detached, attached, a manufactured home; or in a condominium project, cooperative project, or planned unit development.

- AttachmentType: Attached or Detached
- ConstructionMethodType: Manufactured, Site Built, Other



- ConstructionMethodTypeOtherDescription: MH Advantage
- ProjectDesignType: High Rise Project
- PUDIndicator: False or True
- ProjectLegalStructureType: Condominium or Cooperative

When these fields are incomplete, or an invalid combination is provided (e.g., high-rise manufactured home), an Error will be issued, and DU will indicate that the property and/or project data element combinations are invalid in the MISMO 3.4 file.

## New and Updated Messages

The following table describes the updates made to DU using new data in the redesigned Form 1003.

Redesigned Form 1003 Field Name	Update to DU
<b>Borrower Information</b>	
<b>Section 1b. Current Employment/Self Employment and Income</b>	
Start Date	Using the current loan application, messages regarding a borrower’s employment that has not yet begun are issued when the years and months are 0 or blank. Using the redesigned Form 1003, these messages will be issued when the Start Date is blank or after the date the loan casefile was created.
“I am employed by a family member, property seller, real estate agent, or other party to the transaction” indicator	When this box is checked, DU will issue a message specifying that the lender must obtain copies of the borrower’s signed federal income tax returns for the past two years.  <b>Note:</b> <i>If the borrower’s income is validated by the DU validation service, lenders are not required to determine if the borrower is employed by a family member or interested party to the property sale or purchase, so tax returns will not be required.</i>
“I have an ownership share of 25% or more” indicator	When determining if a borrower is self-employed, DU will use the indicator specifying that the borrower has an ownership share in the business of 25% or more.  If the borrower indicates the ownership share is less than 25%, DU will not consider the borrower self-employed. However, if no ownership share box is checked, but the “Check if you are the Business Owner or Self-Employed” box is checked, DU will consider the borrower self-employed.  <b>Note:</b> <i>This determination will impact both the risk assessment (self-employment is a factor in the DU risk assessment) and the documentation needed to verify the borrower’s income.</i>  <b>DU validation service update:</b> The DU validation service will also use this indicator to determine if the borrower is self-employed.
Gross Monthly Income, Other	DU will be updated to use Other income associated to Current Employment in the total income amount used in qualifying the borrower.



Redesigned Form 1003 Field Name	Update to DU
<p>Gross Monthly Income</p> <p><i>Contract Basis is an income type used in the calculation of Gross Monthly Income that is only provided in the data. The amount of Contract Basis income will appear on the printed Form 1003 in either “Base” or “Other” (depending on how the data is mapped to the form by the vendor). “Contract Basis” will not be shown on the printed form.</i></p>	<p>When Contract Basis is provided in the data, and the borrower has already started their job (based on the Start Date), DU will issue a message requiring the lender to document the borrower's contract income using a paystub and a W-2 from the prior year or a standard Verification of Employment (1005).</p> <p>When the borrower has not already started their job, DU will issue a message stating that based on the Start Date employment has not yet begun and will specify the documentation requirements.</p>
<b>Section 1e. Income from Other Sources</b>	
<p>Alimony Child Support Defined Contribution Disability Pension Public Assistance Social Security Unemployment</p>	<p>These new income types are either currently combined (e.g., alimony/child support) or may not have a specific type so the income is entered as a related type (e.g., disability entered as Social Security).</p> <p>As these income types will now have unique entries, DU will be updated to include the amounts associated with the income sources in the total income amount used in qualifying the borrower. Messages will be issued specifying how the lender must document the income (per the <i>Selling Guide</i>).</p> <p><b>DU validation service update</b></p> <ul style="list-style-type: none"> <li>▪ The DU validation service will only validate the reported pension income. Income disclosed as Defined Contribution Plan will not be eligible for validation.</li> <li>▪ The DU validation service will compare the sum of Social Security and Disability to the “total social security benefits” field reported in the tax transcript to determine if Social Security/Disability income can be validated.</li> </ul>
<p>Housing or Parsonage Separate Maintenance</p>	<p>DU will be updated to include the amounts associated with the two new income sources in the total income amount used in qualifying the borrower. New messages will be issued specifying how the lender must document the income (per the <i>Selling Guide</i>).</p>
<b>Section 2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have</b>	
<p>Individual Development Account Stock Options</p>	<p>DU will be updated to include the amounts associated with the new asset types in the total available assets and will issue messages specifying how the lender will need to document the assets (per the <i>Selling Guide</i>).</p>
<b>Section 2b. Other Assets and Credits You have</b>	
<p>Proceeds from Sale of Non-Real Estate Asset Unsecured Borrowed Funds</p>	<p>DU will be updated to include the amounts associated with Proceeds from Sale of Non-Real Estate Asset in the total available assets and will issue a message specifying how the lender must document the assets (per the <i>Selling Guide</i>).</p> <p>DU will not include any amounts provided for Unsecured Borrowed Funds in the total available assets as those funds are not an</p>



Redesigned Form 1003 Field Name	Update to DU
	acceptable source for the down payment, closing costs, or financial reserves.
Lot Equity Trade Equity	<p>These items will be treated as purchase credits and will be used to reduce the Funds Required to Close calculated by DU.</p> <p>A new message will be added when trade equity is used reminding the lender how trade equity is calculated, and what documentation is required.</p>
<b>Section 2c. Liabilities - Credit Cards, Other Debts, and Leases that You Owe</b>	
Account Type, Collections Judgments and Liens	DU will be updated to include the monthly payment of the new liability type in the debt-to-income ratio, regardless of number of months remaining.
<b>Section 4a. Loan and Property Information</b>	
FHA Secondary Residence indicator	FHA Secondary Residence transactions may not be underwritten through DU and will receive an Out of Scope recommendation.
Mixed-Use Property indicator	<p>DU will issue two new messages when the borrower indicates the property is a mixed-use property.</p> <ul style="list-style-type: none"> <li>▪ One message will require the lender to verify that the borrower is the owner and operator of the business, the property is primarily residential in nature, and the dwelling has not been modified in a manner that has an adverse impact on marketability as a residential property.</li> <li>▪ The second message will be issued on a second home, investment property, or a two- to four-unit property and will make the loan casefile Ineligible as mixed-used properties are not permitted on those transactions.</li> </ul>
<b>Section 4b. Other New Mortgage Loans on the Property You Are Buying or Refinancing</b>	
Lien Type, First Lien	When First Lien is indicated for other new mortgage loans on the property (not the subject loan for the DU submission), the loan casefile will receive an Out of Scope recommendation. Any other new mortgage loan obtained on the subject property may not be in the first lien position.
<b>Section 4d. Gifts or Grants You Have Been Given or Will Receive for this Loan</b>	
Grants	DU will be updated to include the Grant amount in the total available assets and will issue messages specifying how the lender must document the grant (per the <i>Selling Guide</i> ). DU will also issue an Ineligible recommendation if a grant is provided on a second home or investment property transaction as grant funds are only permitted on principal residence transactions.
Cash Gift or Grant, Deposited indicator	The amount provided for a Cash Gift or Grant will not be included in the total available assets if the borrower indicates the gift or grant has already been deposited. The amount of the gift or grant, when



Redesigned Form 1003 Field Name	Update to DU
	deposited, should be reflected in the balance of the account to which it was deposited.
Cash Gift or Grant, Source indicator	<p>New messages will be issued, depending on the source of the gift or grant.</p> <ul style="list-style-type: none"><li>▪ When the source of a gift or grant is Lender, the loan casefile will receive an Ineligible recommendation because a lender provided gift or grant is not permitted. The lender may provide the borrower with a credit to fund borrower-paid closing costs and prepaid fees, but the lender cannot fund any portion of the down payment or financial reserves.</li><li>▪ When the source of a gift is one that is not a relative or unmarried partner, the loan casefile will also receive an Ineligible recommendation because the gift must come from a relative or unmarried partner.</li></ul>
<b>Section 5a. About this Property and Your Money for this Loan</b>	
Declaration A. Will you occupy the property as your primary residence?	An Error recommendation will be issued if this declaration is not provided. When an Error is received, DU will issue a message specifying that the declaration was not provided.
If YES, have you had an ownership interest in another property in the last three years?	An Error recommendation will be issued if Yes is provided for Declaration A and this declaration is not provided. When an Error is received, DU will issue a message specifying that the declaration was not provided.
Declaration B. If this is a Purchase Transaction: Do you have a family relationship or business affiliation with the seller of the property?	When the borrower indicates they have a family relationship or business affiliation with the seller of the property, a new message will be issued reminding the lender to confirm that the non-arm's length transaction is permitted in accordance with the <i>Selling Guide</i> .
Declaration C. Are you borrowing or obtaining any money for this real estate transaction (e.g., money for your closing costs or down payment) or obtaining money from another party, such as the seller or realtor, that you have not disclosed on this loan application?	When the borrower indicates that they are obtaining money that has not been disclosed on the loan application, a new message will be issued reminding the lender to confirm the loan complies with the <i>Selling Guide</i> .
Declaration D(1). Have you or will you be applying for a mortgage loan on another property (not the property securing this loan) on or before closing of this transaction that is not disclosed on this loan application?  Declaration D(2). Have you or will you be applying for any new credit (e.g. installment loan, credit card, etc.) on or before closing of this loan that is not disclosed on this application?	When the borrower indicates they have applied for a mortgage loan on another property or other new credit that is not disclosed on the loan application, a new message will be issued.  This message will: <ul style="list-style-type: none"><li>▪ instruct the lender to obtain a reasonable explanation from the borrower for the undisclosed debt if the liability is on the credit report and not on the loan application;</li><li>▪ indicate that documentation may be required to support the borrower's explanation; and</li><li>▪ specify that if the borrower discloses, or the lender discovers, additional liabilities after the underwriting decision has been made, up to and concurrent with</li></ul>



Redesigned Form 1003 Field Name	Update to DU
	<p>closing, the lender must recalculate the borrower's debt-to-income ratio.</p>
<p>Declaration E. Will this property be subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through your property taxes (e.g., the Property Assessed Clean Energy Program)?</p>	<p>Two new messages will be issued when the borrower declares that the property will be subject to a lien that could take priority over the first mortgage.</p> <ul style="list-style-type: none"> <li>▪ One message will be issued on limited cash-out refinance transactions reminding the lender that the loan is only eligible for delivery if the subject mortgage being refinanced is owned or securitized by Fannie Mae and the borrower obtained the PACE loan prior to July 6, 2010.</li> <li>▪ The second message will be issued on purchase or cash-out refinance transactions and will make the loan casefile Ineligible.</li> </ul> <p>If this declaration is not provided an Error recommendation will be received and DU will issue a message specifying that the declaration was not provided.</p>
<p><b>Section 5b. About your Finances</b></p>	
<p>Declaration J. Have you conveyed title to any property in lieu of foreclosure in the past 7 years?</p>	<p>When the borrower declares a previous deed-in-lieu of foreclosure and the event was not reported on the credit report, a message will be issued requiring the lender to confirm the waiting period requirements have been met.</p> <p>If this declaration is not provided an Error recommendation will be received and DU will issue a message specifying that the declaration was not provided.</p> <p><b>Note:</b> <i>Until the prior Form 1003 file is retired, the existing error referencing Declaration C of the 1003 3.2/MISMO 2.3.1 files will be issued.</i></p>
<p>Declaration K. Within the past 7 years, have you completed a pre-foreclosure sale or short sale, whereby the property was sold to a third party and the Lender agreed to accept less than the outstanding mortgage balance due?</p>	<p>When the borrower declares a previous pre-foreclosure sale and the event was not reported on the credit report, a message will be issued requiring the lender to confirm the waiting period requirements have been met.</p> <p>If this declaration is not provided an Error recommendation will be received and DU will issue a message specifying that the declaration was not provided.</p>
<p>Declaration L. Have you had property foreclosed upon in the last 7 years?</p>	<p>When the borrower declares a previous foreclosure and the event was not reported on the credit report, a message will be issued requiring the lender to confirm the waiting period requirements have been met.</p> <p>If this declaration is not provided an Error recommendation will be received and DU will issue a message specifying that the declaration was not provided.</p>



Redesigned Form 1003 Field Name	Update to DU
Declaration M. Have you declared bankruptcy within the past 7 years?	<p>An Error recommendation will be received if this declaration is not provided. When an Error is received, DU will issue a message specifying that the declaration was not provided.</p> <p><b>Note:</b> <i>Until the prior Form 1003 file is retired, the existing error referencing Declaration B of the 1003 3.2/MISMO 2.3.1 files will be issued.</i></p>
<b>Lender Loan Information</b>	
<b>L1. Property and Loan Information</b>	
Transaction Detail, Conversion of Contract for Deed or Land Contract	<p>Three new messages will be issued when the lender indicates the transaction involves the conversion of contract for deed or a land contract.</p> <ul style="list-style-type: none"> <li>▪ Purchase transactions will receive a message specifying that the lender must verify the land contract or contract for deed was executed within the 12 months preceding the date of the loan application; must enter the acquisition cost as the Sale Price; and that the expenditures included in the acquisition cost must be fully documented in the loan file.</li> <li>▪ Limited cash-out refinance transactions will receive a message that states the lender must verify the land contract or contract for deed was executed more than 12 months before the date of the loan application.</li> <li>▪ Cash out refinance transactions will receive an Ineligible recommendation as cash-out refinance transactions involving land contracts or contracts for deed are not eligible for delivery.</li> </ul>
Transaction Detail, Single-Closing indicator Transaction Detail, Two-Closing indicator	<p>In the current loan application, DU issues specific messages on loan casefiles with a Purpose of Loan of Construction and Construction-Permanent. Since the Loan Purpose on the redesigned Form 1003 does not include these options, the existing Construction and Construction-Permanent messages will be issued using the Single-Closing and Two-Closing indicators.</p> <p>The redesigned Form 1003 must reflect the applicable Loan Purpose and Refinance Type based on current polices in the <i>Selling Guide</i> for processing construction-to-permanent transactions.</p> <p>The following will be applied using these indicators:</p> <p><b>Single-Closing Indicator</b></p> <ul style="list-style-type: none"> <li>▪ Cash-out refinance transactions indicated as single-closing will receive an Ineligible recommendation because a cash-out refinance transaction is not permitted with a single-closing construction-to-permanent mortgage.</li> </ul>



Redesigned Form 1003 Field Name	Update to DU
	<ul style="list-style-type: none"> <li>▪ Single-Closing transactions may be underwritten as a limited cash-out refinance transaction. DU will be updated to include the Sales Contract Price (cost of construction entered in L4.A) in the calculation to determine the amount of cash back being received with the transactions. When DU determines the cash back received exceeds Fannie Mae guidelines, a message will be issued specifying that the single-closing limited cash-out loan casefile is ineligible because the amount of cash taken out of the subject property equity exceeds the limit of 2 percent of the loan amount or \$2000 for limited cash-out refinances.</li> </ul> <p><b>Two-Closing Indicator</b></p> <ul style="list-style-type: none"> <li>▪ Purchase transactions indicated as two-closing will receive an Ineligible recommendation because a purchase transaction is not permitted with a two-closing construction-to-permanent mortgage.</li> <li>▪ When the date the lot was acquired was within 5 months of the date of the loan casefile submission on a two-closing cash-out refinance transaction, a new message will be issued. This message will indicate that (based on the loan application) the lot has not been owned by the borrower for at least 6 months, which is required for a cash-out refinance transaction; and that the loan will not be eligible for delivery to Fannie Mae unless the borrower has owned the lot for at least 6 months prior to closing.</li> </ul>
<p>“Property is currently subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid for through property taxes (e.g., the Property Assessed Clean Energy program)” indicator</p>	<p>Two new messages will be issued when the lender indicates that the property will be subject to a lien that could take priority over the first mortgage.</p> <ul style="list-style-type: none"> <li>▪ One message will be issued on limited cash-out refinance transactions reminding the lender that the loan is only eligible for delivery if the subject mortgage being refinanced is owned or securitized by Fannie Mae and the borrower obtained the PACE loan prior to July 6, 2010.</li> <li>▪ The second message will be issued on purchase or cash-out refinance transactions and will make the loan casefile Ineligible.</li> </ul>
<p>Project Type, Property in a Project Indicator</p> <p><i>The “Property in a Project Indicator” is provided in the loan application data, it will not be seen on the printed form.</i></p>	<p>A message will be issued when the loan application data contains a Yes for the “Property in a Project Indicator,” but there is no data indicating the type of project. This message will advise the lender to update the loan application with the applicable project indicator and resubmit the loan casefile to DU.</p>
<p><b>L2. Title Information</b></p>	





Redesigned Form 1003 Field Name	Update to DU
Trust Information, Title will be Held by an Inter Vivos (Living) Trust	<p>When the lender indicates the title will be held by a living trust, a new message will be issued reminding the lender of the following:</p> <ul style="list-style-type: none"> <li>▪ at least one individual establishing the trust must be included on the loan;</li> <li>▪ additional individuals, including other individuals establishing the trust, may also be considered co-borrowers if those individuals' credit will be used to qualify for the loan; and</li> <li>▪ for principal residences, at least one individual establishing the trust must occupy the security property and sign the loan documents. The loan must be delivered with SFC 168.</li> </ul>
Trust Information, Title will be Held by a Land Trust	<p>When the lender indicates the title will be held by a land trust, a new message will be issued reminding the lender that loans held in a land trust are only eligible for delivery in states where land trusts are widely accepted, and the beneficiary is an individual.</p>
Trust Information, Indian Country Land Tenure	<ul style="list-style-type: none"> <li>▪ When Individual Trust Land is indicated, DU will issue a message reminding the lender that they must be approved to deliver loans that are secured by properties located on tribal lands held in trust for Native American tribes or Native American individuals.</li> <li>▪ When Tribal Trust Land On a Reservation, Tribal Trust Land Off Reservation, or Alaska Native Corporation Land is indicated, DU will issue a message reminding lenders that they must be approved to deliver loans that are secured by properties located on Alaska Native Corporation Lands or tribal lands held in trust on or off a reservation.</li> </ul>
<b>L3. Mortgage Loan Information</b>	
Loan Features, Prepayment Penalty / Prepayment Penalty Term (months)	Loans subject to a Prepayment Penalty will receive an Ineligible recommendation as those loans not eligible for delivery to Fannie Mae.
Proposed Monthly Payment for Property, Supplemental Property Insurance	The Total Proposed Housing Expense will be updated to include the amount provided for Supplemental Property Insurance.

The new fields specified above are those that include information not supported in the current DU loan application data. There are other new fields on the redesigned Form 1003 that DU will not use at this time (e.g., contact information, and title information).

## DU Validation Service Reference Number

Currently, the DU validation service requires lenders to enter the borrower's Social Security Number (SSN) before the vendor verification report's Reference ID. When using the redesigned Form 1003, the SSN should no longer be provided before the Reference Number. For example:



**Borrower Verification Reports - Alice F.** ✕

Verification Report Type	Service Provider Type	Service Provider Reference Number	
Employment / Income	Vendor Name	AF48631X	Delete
Please select	Please select		Delete

[+ Add New Report](#)

## DU Underwriting Findings Report

The following change will be made to the enhanced and classic versions of the DU Underwriting Findings report.

- **Present/Principal Housing Expense:** The Present/Principal Housing Payment field will be removed from the Underwriting Analysis Report the **weekend of Jan. 16, 2021** for loan applications submitted using the MISMO 3.4 loan application. Until that time, users should disregard the value displayed in the Present/Principal Housing Payment field.

## Net Equity from Pending Sale Property

Currently, when Net Equity is not provided as an asset, but a property is listed as Pending Sale, DU will calculate the estimated net equity and that amount will be included in the Total Available Assets on the loan casefile.

DU will not calculate net equity for loan applications submitted using the MISMO 3.4 loan application. For MISMO 3.4 loan applications lenders must calculate and submit the “Proceeds from Real Estate Property to be sold on or before closing” asset to DU in order for the funds to be included in the borrower’s Total Available Assets.

## DU for Government Loans

The new data fields on the redesigned ULRA will be consumed by DU and be available for use by both the FHA TOTAL scorecard and VA, when needed. However, no new messaging specific to the new data fields will be issued at this time. As always, lenders should ensure the loan complies with all FHA and VA guidelines.

The following income, asset, credit, and liability types will not be used on FHA or VA submissions to DU, and a warning message will be provided stating that the associated value was dropped. If lenders would like the associated values of these income, assets, credits, or liabilities to be included in the underwriting submission (in accordance with FHA and VA guidelines), a value of “Other” would need to be provided within the income, assets, credits, or liability section of the loan application.

Redesigned Form 1003 Field Name
<b>Borrower Information</b>
<b>Section 1b. Current Employment/Self Employment and Income</b>
Gross Monthly Income, Contract Basis
<b>Section 1e. Income from Other Sources</b>
Housing or Parsonage Separate Maintenance



<b>Redesigned Form 1003 Field Name</b>
<b>Section 2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have</b>
Individual Development Account Stock Options
<b>Section 2b. Other Assets and Credits You have</b>
<i>Assets</i> Proceeds from Sale of Non-Real Estate Asset Unsecured Borrowed Funds
<i>Credits</i> Lot Equity Trade Equity
<b>Section 2c. Liabilities - Credit Cards, Other Debts, and Leases that You Owe</b>
Account Type, Collections Judgments and Liens
<b>Lender Loan Information</b>
<b>L3. Mortgage Loan Information</b>
Proposed Monthly Payment for Property, Supplemental Property Insurance

## For More Information

For more information about these Release Notes, lenders may contact their Fannie Mae Customer Management Solution 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.