

# Redesigned Form 1003 and Desktop Underwriter® (DU®) MISMO V3.4 Quick Guide

This quick guide is intended to answer common questions that lenders and brokers may have as they transition to the redesigned Form 1003 and DU MISMO v3.4. This document consolidates and clarifies information that has been previously communicated or provides steps for troubleshooting. There are no new requirements presented here. For policy questions, please refer to the Fannie Mae [Selling Guide](#).

*We will update this guide periodically, so if you have more questions in the future, be sure to check back to see if your question has been added.*

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## Access

### 1. How do I access DU to begin submitting the redesigned Form 1003/DU MISMO V3.4 file format?

#### a. Loan origination system users

**If you use a loan origination system (LOS) to access DU/DO, you will continue to use your LOS to access DU to submit and review loans in the DU MISMO V3.4 file format.** For further assistance with your specific LOS, please refer to your LOS vendor's instructions and/or contact your internal LOS administrator.

#### b. Accessing DU/DO through the Fannie Mae website

If you access DU/Desktop Originator® (DO®) through the user interface (UI) on [www.fanniemae.com](http://www.fanniemae.com), loans using the legacy Form 1003 must be submitted and reviewed using the classic DU UI, and loans using the redesigned Form 1003 must be submitted and reviewed in the new DU UI.

**What is the classic DU UI?** Classic DU is the application you have always accessed by clicking the “Launch DU” (or for brokers, “Launch DO”) button on the [DU/DO page](#). This application is used for any re-/submissions or reviews of loans in the legacy Form 1003/DU file formats. You may use a System ID or User ID to access classic DU.

**What is the new DU UI?** New DU is the application you will use to re-/submit and review loans using the redesigned Form 1003 and DU MISMO v3.4 format. It can be accessed by clicking the “Launch new DU interface” (or for brokers, “Launch new DO interface”) button on the [New DU UI page](#). You must have your own User ID to access the new DU; System IDs will not be accepted. If you are unsure whether the ID you currently use is a User ID or System ID, contact your Corporate Administrator or User Administrator for assistance.

**Do I need a new User ID?** If you were a registered user of DU with your own User ID as of Nov. 1, 2020, you were automatically provisioned access to the new UI and no further action is needed. If you are a new DU user or you only use a System ID to access DU, contact your Corporate Administrator or User Administrator for assistance or visit the [Technology Manager page](#) to request a new User ID.

**NOTE:** *User IDs may **not** be shared. If someone attempts to log into DU using the same User ID, the original user will be logged out and their work will not be saved.*

For more assistance, refer to our [New DU Job Aids](#) and [Classic DU Job Aids](#)

#### c. Corporate/User Administrators

Please refer to our [Registering Users job aid](#) for more information. As a reminder, any time a lender or broker resets/updates the password for a User or System ID, they must also update their third-party vendor systems with the new credentials.

#### Not sure how to access the new DU user interface (UI) on FannieMae.com?

If you were a DU user prior to Nov. 1, 2020, you should be all set, but to find out:

- Launch the application from the [New DU UI page](#).
- Enter your existing DU credentials.
- If it works, great! You're in.

If you have trouble getting in, contact your Corporate/User Administrator to help you get a new User ID, change your password, or further troubleshoot.



## Common DU Errors

**Quick Tip** Don't use special characters (e.g., backslash \, accents á, ù, ê, ç, ï, ñ) when you enter your data. If you encounter an unexpected error, remove any special characters and try submitting again.

### 2. I received the DU Underwriting checklist error **118321**: *At least one subject property indicator should be Yes. What does this mean and how do I fix it?*

This error is received for refinance transactions when the subject property has not been indicated under the appropriate data point in the asset structure or if more than one subject property has been indicated. The subject property indicator should be "Yes" only for one Owned Property, even if the borrower has declared multiple Owned Properties.

For users of the [New DU UI](#) on FannieMae.com, to correct this, review the Real Estate Owned information and make sure "This is the subject property" has been checked under the appropriate entry. (See screenshot below.)

For LOS users, the location of field(s) and the view you see will be different for each LOS. If you are unable to identify the correct location in your LOS, as a workaround, you may log into the [New DU UI](#) on a case-by-case basis and complete the step above to correct this. However, you should follow up with your internal LOS administrator to address any potential systemic issues in the LOS that may be causing this error.

The screenshot shows a 'Property Information' form with the following fields:

- I do not own any real estate
- This is the subject property
- Street: [Text Input Field]
- Borrower(s) That Own Property: [Dropdown Menu with 'Choose' selected]
- Unit: [Text Input Field]
- Property Value: [Text Input Field]

### 3. I received the DU Underwriting checklist error **118337**: *Field LNC-040 (Subject Property Type Code) is missing from the 1003 file, or the property and/or project data element combinations are invalid in the MISMO 3.4 file. What does this mean and how do I fix it?*

You will receive this error if you have incomplete property type information or invalid property/project data combinations. DU uses the following fields in the MISMO V3.4 file to determine if the property is detached, attached, or 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.



Refer to the [Valid Property Type Combinations job aid](#) to see if your data will pass the DU check for valid combinations or for information about the location of these fields in the new DU UI. For LOS users, the location of fields and the view you see will be different for each LOS. If you are not sure where to find this information, contact your LOS provider for assistance.

#### **4. When I try to export my loan casefile from the new DU UI and import it into my LOS, I receive an error. Why is this happening and how do I fix it?**

When a user exports a loan casefile from the DU UI and imports it into their LOS, the import may fail due to a missing MISMO Reference Model Identifier value.

The workaround for this issue requires changes to the content of the XML file, as outlined below. This will need to be completed for each loan file. Note: If you are unfamiliar with XML files, you may need assistance from your organization's support center to complete the below steps. If you need further assistance, contact your internal LOS administrator or LOS provider.

Complete the following steps to allow your LOS to import the file:

1. Open the MISMO file and add the following line in the header section:

**MISMOReferenceModelIdentifier="3.4.032420160128"**

2. Save and import to your LOS. All files exported from DU UI will have the same header.

##### **Example**

```
<MESSAGE xmlns="http://www.mismo.org/residential/2009/schemas"
xmlns:xsi="http://www.w3.org/2001/XMLSchema-instance"
xmlns:ULAD="http://www.datamodelextension.org/Schema/ULAD"
xmlns:DU="http://www.datamodelextension.org/Schema/DU"
MISMOReferenceModelIdentifier="3.4.032420160128" xmlns:xlink="http://www.w3.org/1999/xlink"
xsi:schemaLocation="http://www.mismo.org/residential/2009/schemas DU Wrapper 3.4.0 B324.xsd">
```

#### **5. DU issued a message stating this case 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 refinance. If the borrower is not receiving cash back with the transaction, what items on the loan application should I check for accuracy?**

When this message is received, check the following, make any necessary updates, and resubmit the loan casefile to DU:

- Line D is not completed with the subject liens being paid off (only subject property liens being paid with the transaction can be included in line D).
- The mortgage(s) is being paid off with a transaction not marked paid by close.
- The mortgage(s) is being paid off with a transaction not associated to the subject.
- Line D and the balance of the mortgage(s) being paid off with the transaction must match.

#### **6. I'm entering a loan with a non-occupant co-borrower and the housing ratio calculation is inaccurate. Why is this happening and how do I fix it?**

The borrower and non-occupant borrower (NOB) both need to be considered primary borrowers in order for the NOB's housing expense to be taken into account in the housing-to-income (HTI) calculation (which is used in the risk assessment). When the borrowers are presented as borrower and co-borrower, DU makes the assumption that both borrowers share a housing expense. Therefore, the NOB's housing expense will not be used in the HTI calculation.

**NOTE:** *When both borrowers are primary borrower, individual (not joint) credit reports are required.*



## 7. Why is the undrawn home equity line of credit (HELOC) amount being included in the combined loan to value (CLTV)?

The following are potential causes for this issue:

- To calculate the undrawn amount, DU uses the HELOCMaximumBalanceAmount and the HELOCBalanceAmount from Section 3a for existing HELOCs and Section 4b for new HELOCs. If either amount is incorrect, this will impact the CLTV calculation. Review these amounts and correct them, as needed, to see if this resolves the issue.
- The TotalSubordinateFinancingAmount (which shows up in Line J of Section L4) is the amount of subordinate financing that will be used at closing and is included in the CLTV calculation. We have observed users providing the undrawn amount in this field, which is inaccurately inflating the CLTV. If you have done so, try removing the undrawn amount from this field to see if it resolves the issue.

## 8. Why is DU asking for purchase price on a refinance?

On a refinance transaction, DU issues the error stating purchase price is required when there is nothing in the file to create the "Qualifying the Borrower" section (previously called the "Details of Transaction"). To correct this, enter the estimated closing costs and prepaids and resubmit. If you don't have those values at the time the loan casefile is created, enter \$1 for prepaids and resubmit the loan casefile to DU. The actual amount of the items reflected in Section L4 must then be provided when known.

## 9. ISSUE RESOLVED: My borrower is self-employed, but DU is requesting paystub and W2, rather than tax returns. Why is this happening and how do I fix it?

When the employer name is longer than 35 characters (including spaces), DU was not properly recognizing the borrower as self-employed. This issue was fixed with the update released on April 17, and DU now requests tax returns for these self-employed borrowers.

## 10. I received a DU Underwriting checklist error that says "self-employed must be Y or N" for a specific borrower. Why is this error being issued and how do I get it cleared?

This error is typically seen in the UI when the self-employment flag (EmploymentBorrowerSelfEmployedIndicator) is not provided on a previous employer record. Complete the steps below to ensure that DU recognizes either a Yes or No response.

1. Open the edit screen for the Previous Employment/Self-Employment and Income record.
2. Click Yes or No for the "Check if you were the business owner or self-employed" radio buttons.
3. When finished, click "Save All Changes" and resubmit the loan for underwriting.

## 11. When using the DO/DU UI, I see several duplicated mortgages and HELOCs in the REO section. What do I need to do to remove the duplicates prior to underwriting?

There is currently an issue in the DO/DU UI in which mortgages and HELOCs are being duplicated on certain loan casefiles. The issue is specific to mortgages and HELOCs as those types of liabilities have relationships with real estate assets. This issue will be fixed in a future release. Until then, make any updates needed to the mortgages and HELOCs disclosed on the loan application in your LOS and resubmit using your LOS. If using the DO/DU UI, follow these steps:

1. Delete the mortgages and HELOCs in the REO Section (Section 3).
2. Delete the mortgages and HELOC liabilities in Section 2.c.
3. Click on "Save All Changes."
4. Re-enter all deleted mortgage and HELOC liabilities and associate the applicable REO. [Steps continue on next page.]



5. Select "Save All Changes." Ensure there are no duplicates in the liabilities section and resubmit the loan casefile for underwriting. If there are still duplicates, repeat the steps above. If submitting for Credit and Underwriting, do not auto-populate the liabilities from the credit report.

## File Formats

### **12. If I started a loan application using the legacy Form 1003 and DU file formats prior to March 1, do I need to redo the application using the new format?**

No, if you started a loan before March 1, you may keep the loan in the format with which you started the loan. For new loans started on or after March 1, you must use the redesigned Form 1003 and updated DU MISMO V3.4 file format. Fannie Mae does not have any requirements regarding how a lender should determine the loan application start date; however, the expectation is that the lender will apply its chosen definition consistently.

See the *Mandate and Implementation Timeline* section of this document for legacy DU file re-/submission deadlines.

### **13. Can I use the redesigned Form 1003 with the legacy DU file formats? Can I use the legacy Form 1003 with the DU MISMO V3.4 file format?**

No. The Form 1003 version and DU file format must match. Lenders should continue to re-submit each loan casefile in the format in which it was originally submitted.

### **14. What if I discover on or after May 1 that I have a loan application using the legacy Form 1003 and DU file format that has not been submitted to DU?**

Starting May 1, DU will not accept any new loan applications using the legacy Form 1003/DU file format. Lenders must recreate the application using the redesigned Form 1003 and DU MISMO v3.4 file format. This may require obtaining additional information from your borrower to ensure that you have all the data required by the redesigned Form 1003.

See the *Mandate and Implementation Timeline* section of this document for legacy DU file re-/submission deadlines.

## DU for Government

**Quick Tip** Make sure your data matches the type of loan you're submitting. Using data for your loan that is specific to another type of loan (e.g., using FHA-specific data for a VA or conventional loan) will result in an error.

### **15. When will DU stop underwriting FHA/VA loans that use the legacy Form 1003 and DU file formats?**

See the [Mandate and Implementation Timeline](#) section of this document for legacy DU file re-/submission deadlines for both conventional and government loans.

### **16. Why is my LOS residual income amount different from what DU is calculating?**

See next question.



## 17. Why am I only seeing Federal Tax included? Why aren't state/local/Social Security taxes being counted?

When entering tax data, you must add all the amounts for the various tax types and enter them as a total sum in the Federal Tax field. If you do not include them in the Federal Tax field, they will not be accounted for in the residual income calculated by DU.

### New DU UI users

When entering the taxes on VA loans using the [New DU UI](#), add together the Federal Tax, State Tax, Local Income Tax, and Social Security Tax and enter as a combined sum in the Federal Tax field. All values entered in any other fields will not be used in underwriting the loan. (See screenshot.)

### LOS users

For LOS users, the location of field(s) and the view you see will be different for each LOS. If you are unable to identify the correct location in your LOS, refer to your LOS-specific training or contact your internal LOS administrator. As a workaround, you may log into the [New DU UI](#) on a case-by-case basis to make this change. (See screenshot.)

### For the submission file

All borrower taxes should be combined in the Loan Application Submission File as a total in the VAFederalTaxAmount (Unique ID 14.0002) data point for VA Loans.

**NOTE:** A new implementation note will be added in the next DU Specification update.

## 18. Why is my debt-to-income (DTI) ratio off?

See next question.

## 19. I entered certain income/asset/credit/liability types on a VA/FHA loan I submitted to DU, and I don't see it being counted or shown on the findings. Why is this happening and how do I fix it?

The income, asset, credit, and liability types in Table 1, below, 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" needs to be provided in the income, assets, credits, or liability section of the loan application.

### Reminder

No new messaging specific to the new Form 1003 data fields will be issued at this time. Make sure you are following all FHA and VA guidelines, whether or not you receive a message from DU.

Table 1. Redesigned Form 1003 Fields Not Used in FHA/VA Submissions to DU

Form Component	Form Section	Form Field Name
Borrower Information	1b. Current Employment/Self Employment and Income	Gross Monthly Income, Contract Basis
	1e. Income from Other Sources	Housing or Parsonage Separate Maintenance
	2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have	Individual Development Account Stock Options

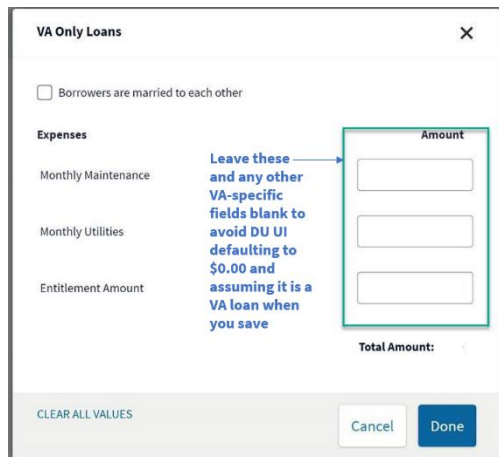


	2b. Other Assets and Credits You Have	<b>Assets</b> <ul style="list-style-type: none"> <li>• Proceeds from Sale of Non-Real Estate Asset</li> <li>• Unsecured Borrowed Funds</li> </ul> <b>Credits</b> <ul style="list-style-type: none"> <li>• Lot Equity</li> <li>• Trade Equity</li> </ul>
	2c. Liabilities - Credit Cards, Other Debts, and Leases that You Owe	Account Type, Collections Judgments and Liens
Lender Loan Information	L3. Mortgage Loan Information	Proposed Monthly Payment for Property, Supplemental Property Insurance

**Quick Tip** On a government No Cash Out Refinance, if any credit card and other non-mortgage payoffs need to be shown as part of the transaction, then those can be included in the TotalSubjectPropertyPayoffsAndPaymentsAmount (Section L4. Qualifying the Borrower – Minimum Required Funds or Cash Back, Line D). The lender should ensure that they are following all applicable guidelines, including the FHA maximum loan calculation.

**20. I changed the loan type from VA to conventional (or FHA) in the new DU UI, but I received a checklist error telling me it’s missing VA information. I tried deleting VA-specific information, but entries in those fields continue to appear. How do I fix this?**

This is a known issue in the new DU UI. When a user has entered information that is specific to VA loans, then changes the loan to conventional or FHA, the DU UI defaults the VA-specific amounts to \$0.00, which cannot be deleted. Because there are still entries in VA-only fields – even though they are zero – the save function thinks it is a VA loan, rather than conventional or FHA loan.



**If you use an LOS**, to fix this, you may export the loan file from the new DU UI to your LOS and remove all VA-specific information.

**If you do not use an LOS**, the workaround for this issue requires changes to the content of the XML file to remove the VA-only loan information. Note: If you are unfamiliar with XML files, you may need assistance from your organization’s support center.

**Going forward**, when possible, users should avoid entering any VA-only loan information on conventional or FHA loans.

A fix for this issue is planned for a future release.

**URLA/Form 1003 Questions**

**21. Declaration 5a.A: How do I answer these questions about primary residence and ownership interest?**

These questions are asked on the Borrower Information and Additional Borrower components to determine whether the borrower is a first-time home buyer. (For the definition of first-time home buyer, see Fannie Mae [Selling Guide E-3-06, Glossary of Fannie Mae Terms: F \(12/16/2020\)](#).) The first-time home buyer designation only applies to principal residence purchases, but 5a.A must be completed for both purchases and refinances.





If the borrower answers YES to the first question (*Will you occupy the property as your primary residence?*), they must answer the second question (*If YES, have you had an ownership interest in another property in the last three years?*) and questions (1) and (2), as applicable.

If the borrower answers NO to the first question, they may skip to question 5a.B.

### Examples

If the borrower is a **first-time homebuyer**, they will answer YES to the first question, NO to the second question, and leave questions (1) and (2) blank. (See form illustration below.)

If the borrower is **refinancing and intends to occupy the property as their primary residence**, they would answer YES to the first question. If they have not had any ownership interest in any *other* property in the last three years, then they would answer NO to the second question and leave questions (1) and (2) blank. (See form illustration below.)

## Section 5: Declarations. This section asks you specific questions about the property, your funding, and your past financial history.

### 5a. About this Property and Your Money for this Loan

<p><b>A.</b> Will you occupy the property as your primary residence?          If YES, have you had an ownership interest in another property in the last three years?          If YES, complete (1) and (2) below:          (1) What type of property did you own: primary residence (PR), FHA secondary residence (SR), second home (SH), or investment property (IP)?          (2) How did you hold title to the property: by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?</p>	<p><input type="radio"/> NO <input checked="" type="radio"/> YES  <input checked="" type="radio"/> NO <input type="radio"/> YES</p> <p><input type="text"/> <input type="text"/></p> <p><input type="text"/> <input type="text"/></p>
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## Mandate and Implementation Timeline

### 22. When is the mandate for using the redesigned Form 1003 and DU MISMO V3.4 file format?

The mandate for using the redesigned Form 1003 is March 1, 2021. All new loans started on or after March 1 must be submitted using the redesigned form and DU MISMO v3.4 file format. Fannie Mae does not have any requirements regarding how a lender should determine the loan application start date; however, the expectation is that the lender will apply its chosen definition consistently.

### 23. What are the differences between the March 1, 2021 mandate; the May 1, 2021 changes to DU; and the March 1, 2022 end of the Pipeline Loan Closing Period?

#### March 1, 2021: Mandate

The mandate for implementing the redesigned Form 1003 is March 1, 2021. All new loans started on or after March 1 must be submitted using the redesigned form and DU MISMO v3.4 file format. If a new loan is started in legacy format prior to March 1, 2021, but not submitted to DU by that date, Fannie Mae will allow lenders to keep the loan in legacy format provided these loans are submitted to DU by April 30, 2021. (See *Table 2. DU Deadlines for Loans in Legacy Form 1003 and DU File Formats* below.)

#### May 1, 2021: DU messaging

Effective May 1, 2021, any new loan started in legacy formats will no longer be accepted by DU. DU will return an “Out of Scope” recommendation on conventional loans and “Error” recommendation on FHA or VA loans submitted using the 1003 v3.2 or MISMO v2.3.1 format with a Casefile Create Date on or after May 1, 2021. (See [February 16 announcement](#).) DU will not underwrite these loans. New loan applications using legacy Form 1003 and DU file formats that are not submitted by April 30 must be recreated using the redesigned Form 1003/DU MISMO v3.4, which may require obtaining additional information from the borrower to ensure that you have all the data required by the redesigned Form 1003.



This two-month period between March 1 and May 1 is not a change to the mandate. Rather, it is provided to accommodate new loans started in the legacy format prior to March 1, but not submitted to DU by that date. (See *Table 2. DU Deadlines for Loans in Legacy Form 1003 and DU File Formats* below.)

### March 1, 2022: End of Pipeline Loan Closing Period

The Pipeline Loan Closing Period is designed for loans that take longer than average to close, such as new construction loans. Whether a legacy loan application must be submitted before May 1, 2021, or not is determined by the original submission date to DU:

- If a loan is started in legacy formats prior to March 1, 2021, but has not been submitted to DU before that date, the deadline for submitting the loan to DU is April 30, 2021. Following this initial submission, lenders may continue to re-submit the loan to DU in the legacy format, as needed, until Feb. 28, 2022.
- If a loan is started in legacy formats prior to March 1, 2021, and is submitted to DU before that date, lenders have until Feb. 28, 2022, to re-submit that loan, as needed (*except if loan casefile is subject to the DU archiving policy or retirement of a DU version*).

**Effective March 1, 2022, DU will no longer underwrite any loans in legacy format, regardless of start date or original DU submission date.** For more information, view the latest [implementation timeline](#). (See *Table 2* below.)

*Table 2. DU Deadlines for Loans in Legacy Form 1003 and DU File Formats*

Loan Application Start Date	Legacy file allowed	If first submission to DU occurs...	Then the deadline for first submission to DU is...	And the deadline for final re-submissions to DU is...
Before March 1, 2021	Yes	March 1, 2021 or later	April 30, 2021	Feb. 28, 2022
		Before March 1, 2021	N/A	Feb. 28, 2022
On or after March 1, 2021	No	N/A	N/A	N/A

**NOTE:** *These deadlines apply only to DU submissions. These loans may still be delivered to Fannie Mae after these dates, provided they meet the requirements documented in the Fannie Mae [Selling Guide](#).*

## Help and Support

### 24. Where do I go for help if I have production questions or issues using DU?

For all production issues or inquiries, including test submissions, contact 1-800-2FANNIE (800-232-6643).

- Option 5 – Technology Support Center
- Option 9 – Desk-to-Desk lenders

For more information, visit our [Technology Support Center page](#).

### 25. What if I have more questions?

If you have further questions about the redesigned Form 1003, DU MISMO v3.4 file format, or supporting documents, please visit our [URLA webpage](#), check out our [complete FAQs](#), or contact your Fannie Mae representative.