



## Desktop Underwriter/Desktop Originator Release Notes DU Version 10.1

May 30, 2017

During the **weekend of July 29, 2017**, Fannie Mae will implement Desktop Underwriter® (DU®) Version 10.1, which will include the changes described below.

The changes in this release will apply to new loan casefiles submitted to DU on or after the weekend of July 29, 2017. Loan casefiles created in DU Version 10.0 and resubmitted after the weekend of July 29 will continue to be underwritten through DU Version 10.0.

The changes in this release include updates to the following:

- DU Risk Assessment
- Maximum Allowable DTI
- Disputed Tradelines
- ARM LTV Ratios
- Self-employment Income Documentation
- DU Validation Service
- Property Inspection Waiver
- Updates to Align with the *Selling Guide*
- Retirement of DU Version 9.3

### DU Risk Assessment

As part of normal business operations, DU is regularly reviewed to determine whether its risk analysis is appropriate based on new data and loan performance information. DU Version 10.1 will include an update to the DU credit risk assessment and eligibility requirements.

Based on an analysis of recent loan casefiles submitted to DU, the new risk assessment is expected to increase the percentage of Approve/Eligible recommendations lenders receive, specifically those with debt-to-income ratios between 45% and 50%.

DU Version 10.1 will evaluate loan casefiles using the same risk factors currently evaluated in DU Version 10.0.

### Maximum Allowable DTI

The maximum allowable debt-to-income ratio (DTI) in DU will be adjusted in DU Version 10.1. Under the adjustment, DU will consider applications with a maximum DTI of 50%. For DTIs above 45% and up to 50%, DU will no longer require certain additional compensating factors. If the DTI on a loan casefile exceeds the maximum allowable DTI of 50%, the loan casefile will receive an Ineligible recommendation.

DU Refi Plus™ loan casefiles submitted to DU Version 10.1 will continue to be subject to the maximum allowable DTI applied to DU Refi Plus loan casefiles in DU Version 10.0.

### Disputed Tradelines

DU Version 10.1 will include an updated risk assessment and messaging for loan casefiles for borrowers with disputed tradelines. DU will first assess the risk of the loan casefile using all tradelines reported as disputed by the borrower. When



DU issues an Approve recommendation using the disputed tradelines, no further documentation of the disputed tradeline will be needed and the following message will be issued.

*The following tradeline(s) were identified by DU as disputed by the borrower. Because DU issued an Approve recommendation when including the disputed information in the credit risk assessment, no further action is necessary.*

<b>Creditor</b>	<b>Account Number</b>	<b>Account Type</b>
ABC Creditor	123456789	Installment

When the loan casefile does not receive an Approve recommendation using the disputed tradeline in the risk assessment, the risk will then be assessed with the disputed tradeline excluded and DU will issue the following message:

*The following tradeline(s) were identified by DU as disputed by the borrower. Because DU was not able to issue an Approve recommendation when including the disputed information in the credit risk assessment, the lender must determine if the disputed account belongs to the borrower and confirm the accuracy and completeness of the information on the tradeline. If the borrower is not responsible for the account or the information on the tradeline does not accurately and completely report the account, no further action is necessary regarding the disputed tradeline. If the borrower is responsible for the account and the tradeline information accurately and completely reports the account, the lender may manually underwrite the loan if the transaction is eligible for manual underwriting.*

<b>Creditor</b>	<b>Account Number</b>	<b>Account Type</b>
ABC Creditor	123456789	Installment

NOTE: Tradelines reported as medical debt will continue to be excluded from the disputed tradeline identification. Lenders are not required to investigate the disputed medical tradelines.

## ARM LTV Ratios

With DU Version 10.1 the maximum allowable LTV, CLTV, and HCLTV ratios (LTV ratios) for adjustable-rate mortgages will be aligned with fixed-rate mortgage LTV ratios for all transaction, occupancy, and property types, up to a maximum of 95%.

NOTE: More information about these enhancements for manually underwritten loans will be provided in a future Selling Guide update. ARM loans with the higher LTV ratios can be delivered as whole loans on or after September 1, 2017, or delivered into MBS with pool issue dates on or after September 1, 2017.

## Self-Employment Income Documentation

The criteria that determines the documentation required to verify a self-employed borrower's income will be updated. The number of DU loan casefiles eligible for the one year of personal and business tax return documentation requirements will increase.

## DU Validation Service

The following DU validation service updates will be made with DU Version 10.1.

### Income and Employment Updates

The DU validation service will now validate income and employment for a borrower that has both self-employment income that can be validated using tax transcript information and base, bonus, overtime, and/or commission income that can be validated using an income report. If all of the required information is not received (both an income report and tax transcript



information), a message will be issued stating that the income and/or employment could not be validated because all documents were not available for income validation.

The message issued when employment has not been validated will also be updated to specify that if employment cannot be validated, income from that employer may not be validated. The message will now state that employment could not be validated, and as a result messages related to income validation may have changed or been removed.

## **Desktop Originator® (DO®)/DU User Interface Update**

The weekend of July 29, 2017, the name of the 3rd Party Data Provider field on the Additional Data section of the DO/DU User Interface will be updated to “Report Supplier.” This change will align with terminology used in the *DU Validation Service Reference Guide*.

## **Property Inspection Waiver**

The following updates will be made to the Property Inspection Waiver (PIW) offer in DU.

### **PIW for Preliminary Findings**

When the PIW offer was enhanced in December 2016, DO users would only see the offer on loan casefiles underwritten using a sponsoring lender. With DU Version 10.1, DO loan casefiles underwritten using Preliminary Findings will now be eligible for the PIW offer.

### **Message Update**

The PIW message will be updated to include a statement reminding lenders that DU is not able to identify all criteria that would cause a loan to be ineligible for the PIW. If the transaction is identified as ineligible in the *Selling Guide*, the lender may not exercise the PIW that was issued by DU. Examples of this are HomeStyle® Energy mortgages, community land trusts or properties with resale restrictions (when the Affordable LTV indication is not used in DU), and Texas Section 50(a)(6) mortgages.

## **Updates to Align with the *Selling Guide***

### **Student Loan Cash-out Refinance**

*Selling Guide* Announcement SEL-2017-04 introduced requirements related to the Student Loan Cash-Out Refinance. DU will issue a message on cash-out refinance transactions where only subject property liens and student loans are marked paid by close. This message will specify that the transaction is a cash-out refinance and that it appears the borrower is only paying off the subject property mortgage(s) and student loans. The message will also remind lenders that if the loan qualifies as a Student Loan Cash-Out Refinance the maximum amount of cash back to borrower at closing is the lesser of 2% or \$2,000, and the loan must be delivered with Special Feature Code (SFC) 841.

### **Employment Offer Message**

A new message will be issued to specify the requirements that apply to borrowers who have a contract to start a job, but will not begin employment before loan closing. Existing policy is also being updated to provide the option for delivery of the loan prior to the borrower starting employment when additional eligibility requirements are met.

On primary residence, one-unit, purchase transactions when the years and months on job in DU are 0 or blank, DU will issue a message specifying the requirements specific to these transactions. The message will indicate that if the lender does not obtain a paystub and confirm the borrower has started employment prior to delivery of the mortgage loan, the lender must confirm the loan meets the additional eligibility requirements of the updated policy, and that the loan must be delivered with SFC 707.

NOTE: *The details of the updated policy will be provided in a future Selling Guide update.*



## Multiple Financed Properties Updates

The message issued by DU when the loan casefile received an Ineligible recommendation for not meeting the minimum amount of reserves required for the subject property and/or the other financed properties will be updated to include the dollar amount of the reserves required.

The other financed properties (not associated to the principal residence or the subject property) reserve calculation will also be updated. In DU Version 10.0, the calculation includes the unpaid principal balance (UPB) of any open/active mortgage or home equity line of credit (HELOC) reported on the credit report that is not disclosed on the loan application. With DU Version 10.1, DU will no longer include the UPB of the credit report mortgages or HELOCs not disclosed on the loan application. Instead, DU will issue a new message that lists these credit report mortgages or HELOCs so lenders can ensure the minimum reserve requirement for other financed properties is accurately calculated, and that all open/active mortgages are entered on the loan application.

## Site Condo References

*Selling Guide* Announcement SEL-2016-08 removed the project review requirements for a subset of detached condos commonly referred to as “site condos,” and *Selling Guide* Announcement SEL-2017-01 required that SFC 917 be provided when a site condo loan is delivered. The DU project review message issued on detached condominiums will be updated to state that if the property is a site condo a review is not required, and the DU message that lists any applicable SFCs will be updated to issue SFC 917 on detached condominiums. Lenders remain responsible for determining if the loan is secured by a site condo.

## Treatment of Timeshares

Certain timeshare installment loans are reported in the credit report data as mortgage-related. In DU Version 10.0, these agreements would be considered a mortgage and the appropriate mortgage delinquency requirements are applied. DU Version 10.1 will treat all timeshare loans as installment loans.

## Homebuyer Education Message Updates

The homebuyer education messages will be updated to take into account information provided in the Homebuyer Education Completion Indicator.

- When no indication is provided in the Homebuyer Education Completion Indicator, DU will issue a message reminding the lender that at least one borrower signing the Note must have used one of the homebuyer education options specified in the *Selling Guide* prior to the closing of the mortgage loan.
- When “Homebuyer Education complete” is provided, DU will issue a message stating that based on the Homebuyer Education Completion Indicator at least one borrower on the loan has completed some type of homebuyer education. DU will also specify that the borrower must have used one of the homebuyer education options specified in the *Selling Guide*.
- When option “One-on-one counseling complete” is provided, DU will continue to issue the message stating that based on the Loan Homebuyer Education Completion Indicator at least one borrower on the loan has completed one-on-one counseling, and that documentation of the completion of the pre-purchase counseling must be provided on Fannie Mae Form 1017.

The Homebuyer Education Completion Indicator in the DO/DU user interface will also be updated to remove the Yes and No options that were previously included as options in that field.

NOTE: *The homebuyer education messages are issued on HomeReady® mortgage loan casefiles, and loan casefiles where no borrower has traditional credit.*



## DO/DU User Interface Updates for HMDA Fields

On September 23, 2016, the Consumer Financial Protection Bureau (CFPB) published a final rule amending Regulation C to implement amendments to the Home Mortgage Disclosure Act (HMDA). Among other changes, the final rule modified the reportable data requirements related to the collection of borrower ethnicity, race, and gender. Lenders are required to collect the new and amended borrower demographic information in the Uniform Residential Loan Application (URLA) on loan applications taken on or after January 1, 2018. The DO/DU user interface will be updated the weekend of July 29, 2017 to support these requirements.

NOTE: Refer to the [DU Version 10.1 Integration Impact Memo](#) for additional information on the data mapping of the new/updated HMDA fields.

## Miscellaneous Message Text Changes

Various DU messages will be updated to provide clarity and consistency with the *Selling Guide*.

## Retirement of DU Version 9.3

With the release of DU Version 10.1, DU Version 9.3 will be retired. Therefore, effective the weekend of July 29, 2017, customers will no longer be able to resubmit loan casefiles to DU Version 9.3. Customers will continue to be able to view online loan applications and DU Underwriting Findings reports that were created under DU Version 9.3. To obtain an updated underwriting recommendation after the weekend of July 29, customers must create a new loan casefile and submit it to DU.

NOTE: *DU Version 9.3 loan casefiles would have been created prior to September 24, 2016; therefore those loan casefiles would have been underwritten at least ten months prior to the retirement of DU Version 9.3.*

## For More Information

For more information about these Release Notes, lenders may contact their Fannie Mae customer delivery 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.