Desktop Underwriter/Desktop Originator Release Notes

DU Version 11.0 June Update

May 5, 2021

During the **weekend of June 5, 2021,** Fannie Mae will implement an update to Desktop Underwriter® (DU®) Version 11.0, which will include the implementation of the RefiNow™ refinance option.

The changes in this release will apply to DU Version 11.0 loan casefiles submitted or resubmitted to DU on or after the weekend of June 5, 2021.

RefiNow Implementation

Lender Letter 2021-10 announced a new refinance option for Fannie Mae borrowers who are making their mortgage payments on time, and whose income is at or below 80% of the applicable area median income (AMI) for the subject property's location. Details on how DU will identify and underwrite RefiNow loans are specified below.

Address and Borrower Matching to the Existing Loan

When a one-unit, principal residence, limited cash-out refinance loan is underwritten in DU and the total income on the loan casefile is at or below 80% of the AMI, DU will determine if Fannie Mae owns the loan on the property, and if that loan is eligible to be refinanced using the RefiNow refinance option.

When DU finds a loan for the subject property address using either the address provided on the DU loan application or the standardized address, DU will then confirm that the Social Security number(s) (SSN) for the borrower(s) on the new loan casefile matches that on the existing loan. The result of the SSN matching will be specified in a DU message.

When none of the borrower SSNs match, the loan casefile will not be underwritten as RefiNow. DU will issue a message informing the lender that the SSN(s) does not match and remind the lender to confirm the property address.

When there is an SSN match, DU will underwrite the loan casefile as RefiNow. If the SSN for any of the borrowers on the loan casefile do not match using all nine digits, DU will advise the lender as follows:

- When a borrower SSN is matched using 7 or 8 digits of the 9-digit SSN, the DU message will specify that the SSNs are one or two digits different and will require that the lender confirm the borrowers on the existing loan are the same borrowers that will be on the new loan.
- When there are two borrowers on the new loan and two borrowers on the existing loan, but only one borrower's SSN matches, the DU message will specify that not all of the borrower SSNs match and will require that the lender confirm the borrowers on the existing loan are the same borrowers that will be on the new loan.
- When one borrower is on the new loan casefile but more than one borrower is on the existing loan, the DU message will state that it appears that a borrower is being removed with the transaction and refer the lender to the *Selling Guide* for additional requirements on removing a borrower with a RefiNow transaction.
- When there is more than one borrower on the new loan casefile but there is only one on the existing loan, the DU message will state that it appears that a borrower is being added with the RefiNow transaction, and that if a new borrower is being added with the transaction, the RefiNow loan is not eligible for delivery.

Existing Loan Eligibility Determination

When an existing loan is found (using an address and full or partial SSN match), DU will then determine if the loan is eligible to be refinanced using the RefiNow refinance option. When one or more of the following exclusion reasons is found on the existing loan, DU will not underwrite the loan casefile as RefiNow and will issue a message stating that the existing loan is not eligible to be refinanced using the RefiNow option:

- mortgage note date is not within 10 years of the casefile creation date,
- DU Refi Plus™ or manual Refi Plus™,
- High LTV refinance,
- RefiNow,
- subject to investor paid mortgage insurance,
- pledged asset loan,
- subject to recourse or negotiated credit enhancement,
- under review for repurchase,
- not a conventional loan, or
- not a first lien.

When the existing loan is not seasoned 12 months based on the casefile create date, DU will issue a message that includes the note date of the existing loan and will remind the lender that the RefiNow refinance loan may not close until the existing loan is seasoned at least 12 months.

New Loan Eligibility Determination

When the existing loan is eligible to be refinanced using the RefiNow refinance option, DU will determine if the new loan meets the RefiNow eligibility requirements. If the new loan includes any of the features below that are not eligible with the RefiNow refinance option, DU will specify the reason the new loan is not eligible:

- adjustable rate mortgage (ARM),
- loan subject to a temporary interest rate buydown,
- HomeReady® loan,
- HFA Preferred® or HFA Preferred Risk Sharing loan,
- HomeStyle® Renovation loan,
- HomeStyle Energy loan,
- construction-to-permanent transaction,
- high-balance mortgage loan,
- debt-to-income ratio exceeding 65%,
- the amount of cash taken out of the subject property exceeds the limit of $250, or
- the mortgage being paid off with the transaction on the loan application cannot be matched to a credit report account to determine if the payment history requirements have been met.

There are eligibility guidelines that DU will not be able to confirm. DU will issue messages reminding lenders of these guidelines on specific transactions:

- When the subject property is located in Texas, the DU message will require the lender to confirm that the new loan is not being originated pursuant to Section 50(a)(6) of Article XVI of the Texas Constitution.
- When it appears the closing costs exceed $5,000, the DU message will require the lender to confirm that no more than $5,000 of these costs will be financed into the loan amount for this RefiNow refinance transaction.

Issuing a DU Recommendation

When issuing the underwriting recommendation, DU will ensure that the mortgage being paid off with the transaction meets the payment history requirements. The borrower cannot have had:

- any delinquencies in the most recent six-month period, and

- in months 7 through 12, no more than one 30-day delinquency and no delinquency greater than 30 days.

DU must be able to match the mortgage being paid off with the transaction on the loan application to a mortgage on the credit report. This will be done by comparing the account numbers on the loan application to those on the credit report, and also by comparing the creditor name and current payment on the loan application to those on the credit report.

If the payment history requirements are met on the mortgage, DU will issue an Approve recommendation. Otherwise, DU will issue a Refer with Caution recommendation. DU will specify the mortgage from the credit report that was used to determine if the payment history requirements were met.

As specified in the Lender Letter, the loan must have a minimum representative credit score of 620, and the borrower must comply with all applicable waiting periods following derogatory credit events. When issuing an underwriting recommendation, DU will take these guidelines into consideration. DU may also issue a an Ineligible recommendation if the loan does not meet the minimum credit score requirement, or Refer with Caution recommendation for a bankruptcy, foreclosure, or current mortgage delinquency, even if the payment history requirements are met on the mortgage being paid off with the transaction.

When the mortgage on the credit report that was used to determine if the payment history requirements were met has not been reported in the past 90 days, DU will require the lender to verify the payment history for the mortgage. The lender must confirm that the mortgage has not had any delinquencies in the most recent six-month period; or in months 7 through 12, no more than one 30-day delinquency or any delinquency greater than 30-days.

Documentation Requirements

For income and employment documentation, DU will issue a message stating that the lender must obtain a verbal verification of employment for any employment or self-employment income for all borrowers using employment income to qualify, and that the lender must document the borrower's income in accordance with the RefiNow refinance guidelines.

For asset documentation, when the lender is required to document funds on the loan, the standard asset documentation message will be issued. However, when depository assets are used, DU will only require bank statements covering a one-month period.

Miscellaneous

Borrower Benefit

When a loan casefile is underwritten as RefiNow, DU will remind the lender that by selling a RefiNow loan to Fannie Mae, the lender represents and warrants that the borrower is receiving a benefit in the form of a reduction in the interest rate of at least 50 basis points and a reduction in the monthly mortgage payment of at least $50.

Special Feature Code (SFC) Requirements

DU will issue SFC 868 on all RefiNow loan casefiles.

Mortgage Insurance Requirements

As specified in the Lender Letter, standard mortgage insurance (MI) requirements will apply. Though MI coverage for RefiNow loans is not restricted to the current mortgage insurer on the existing loan, when there is MI in place on the existing loan, DU will issue a message indicating the mortgage insurer that is currently providing MI coverage.

Ability to Underwrite as Standard Limited Cash-Out

Lenders will be able to instruct DU to underwrite a loan casefile that may be eligible as RefiNow as a standard limited cash-out refinance. When the phrase "Standard LCOR" is entered in the Product Description field, the loan casefile will not be underwritten as RefiNow.

For More Information

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