

# Desktop Underwriter/Desktop Originator Release Notes

## DU Version 11.0 Sept. Update

Aug. 11, 2021

*Updated Sept. 17, 2021*

During the **weekend of Sept. 18, 2021**, Fannie Mae will implement an update to Desktop Underwriter® (DU®) Version 11.0. The changes in this release will apply to DU Version 11.0 loan casefiles **submitted or resubmitted** on or after the weekend of Sept. 18, 2021.

The changes in this release include the following:

- Positive Rent Payment History Added to DU Risk Assessment
- Credit Score Eligibility in DU
- RefiNow™ Updates
- DU Eligibility Assessment Update
- DU Validation Service Update for COVID-19 Policy Overlay Removal
- Support of the Updated Uniform Residential Loan Application
- FIPS Code Verification Messages
- Updates to Align with the *Selling Guide*

***Sept. 17, 2021: The change specified on page 3 to also include the MI certificate number in the RefiNow™ message indicating the mortgage insurance provider on the existing loan has been deferred to a future DU release.***

### Positive Rent Payment History Added to DU Risk Assessment

To help increase homeownership opportunities for borrowers, we are enhancing DU to consider a borrower's positive rent payment history in the credit risk assessment. Beginning the weekend of Sept. 18, when the borrower is currently paying rent of \$300 or more, and a 12-month Verification of Asset (VOA) report is obtained by the lender, DU will attempt to identify recurring rent payment transactions within the VOA report for use in the credit risk assessment.

This enhanced credit risk assessment will be applied to any loan casefile that meets the following requirements (no special approval is required to take advantage of this option):

- The borrower must be a first-time homebuyer,
- the borrower must have been renting for at least 12 months,
- the borrower's rent payment must be \$300 or more per month,
- the mortgage loan must be a purchase transaction,
- the property must be secured by a principal residence,
- the borrower(s) must have a credit score, and
- the lender must obtain a VOA report with 12 months of bank statement data through an authorized DU validation service asset verification report vendor.

If DU is able to identify a rent payment history pattern in the borrower's bank account data, it will use the rent payment history to positively supplement the credit risk assessment.

In order to ensure DU is able to identify the rent payments, the lender must:

- Enter the monthly rent paid by the borrower in the DU loan application,
- order a 12-month VOA report and enter the corresponding Reference ID in the DU loan application, and



- confirm the borrower is an account holder and that the account from which the borrower pays rent is included in the VOA report.

## DU rent payment messages

DU will issue specific messages when:

- rent payment history is used; or
- an asset report is obtained, but not used, and why it was not used; or
- an asset report was not obtained but the use of a report with rent payment history could positively impact the recommendation.

## Asset validation using the VOA report

When a 12-month VOA report is obtained, the DU validation service will also use the report to attempt to validate the borrower's assets.

- Lenders not currently using the DU validation service who order the 12-month VOA to obtain rent payment history may also begin seeing messages pertaining to DU's validation of assets.
- Lenders currently using the DU validation service who order a 12-month or full transaction history VOA will begin seeing loan casefiles underwritten using the borrower's rent payment history in the credit risk assessment, when meeting the requirements specified above.
- Lenders are only required to review the most recent 60 days of account history in the asset report.

## Credit Score Eligibility in DU

Though credit scores are not an integral part of DU's risk assessment, DU currently uses credit scores to ensure compliance with the 620 minimum representative credit score requirement. To support homeownership opportunities for more underserved borrowers, we are updating the credit score used by DU in the eligibility assessment. For loan casefiles with more than one borrower, DU will now use an average median credit score as follows when determining if a loan casefile meets the minimum credit score requirement of 620:

- First, DU will determine each borrower's applicable credit score (middle of the three scores received, or the lower of the two when only two scores received).
- Second, DU will average the applicable credit scores for all of the borrowers on the loan casefile to determine if the 620 credit score requirement is met.

**Note:** This method will not result in a credit score lower than the representative credit score. The average median credit score will either be:

- the same as the representative credit score for loans with one borrower, or
- the same or higher than the representative credit score for loans with multiple borrowers.

The following is an example of how the average median credit score will be calculated.

	Step 1: DU will determine each borrower's applicable credit score			Step 2: DU will average the borrowers' applicable credit scores to ensure a minimum 620 credit score for the DU loan casefile.
	Score 1	Score 2	Score 3	
<b>Borrower 1</b>	590	619	648	<b>656</b>



<b>Borrower 2</b>	661	<b>693</b>	693	(average of 619 and 693)  <i>In this example, the representative credit score of 619 would continue to be used for pricing, mortgage insurance, and provided at loan delivery.</i>
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**Note:** DU’s average median credit score will **only** be used in the eligibility assessment for non-RefiNow loans. The representative credit score will continue to be used for pricing, any applicable mortgage insurance requirements, and will need to be provided at loan delivery. Additionally, DU will continue to use the representative credit score to determine minimum credit score eligibility for RefiNow loans.

## RefiNow Updates

### DU validation service

RefiNow loans will now be eligible to use the DU validation service to obtain income and asset validation. RefiNow loan casefiles submitted or resubmitted on or after the weekend of Sept. 18 will be validated using the DU validation service when a vendor report is obtained for the borrower.

### RefiNow message updates

#### **Existing loan payment information message**

The message issued specifying the current principal and interest payment and the note rate on the existing loan will be moved from the Observation section to the Verification section of the DU Underwriting Findings report. The message will also be updated to remind lenders to ensure that the borrower is receiving a benefit in the form of an interest rate reduction of at least 50 basis points and a reduction in the monthly mortgage payment (which includes principal, interest, and mortgage insurance) of at least \$50.

#### **Existing loan mortgage insurance information message (deferred to a future release Sept. 17, 2021)**

The message issued specifying the mortgage insurance (MI) provider that currently has coverage in place on the existing Fannie Mae loan will be updated to also include the MI certificate number.

## DU Eligibility Assessment Update

In July of 2019, the DU eligibility assessment was updated to issue an Ineligible recommendation on loan casefiles when multiple high-risk factors are present. To provide additional transparency regarding the DU eligibility and risk assessments, we are updating the way eligibility is messaged to clarify the difference between meeting Fannie Mae’s credit risk standards and loan eligibility limitations based on our acquisition preferences and constraints. We will be updating the eligibility messaging to clarify that loans may receive an Ineligible recommendation if the loan is outside our current acquisition parameters.

For loan casefiles that receive an Ineligible recommendation when a combination of product features and risk factors are present, and the loan casefile does not meet our affordable housing mission (previously referenced as “multiple high-risk factors”), DU will provide additional detail regarding the factors that contributed to the Ineligible recommendation.

## DU Validation Service Update for COVID-19 Policy Overlay Removal

As announced in Lender Letter LL-2021-03, several temporary policies put in place in response to COVID-19 are being retired. The following updates will be made to the DU validation service for loan casefiles submitted or resubmitted on or after the weekend of Sept. 18, 2021:

- Employment validation is being reinstated.



- Vendor reports used to validate income (base, bonus, overtime, commission) and assets will follow standard age of documentation requirements, i.e., may not be more than 4 months old on the closing date. The DU messages will be updated to provide the “Close by Date” in alignment with these changes.
- The value of market-based assets (specifically investment accounts such as stocks, mutual funds, and retirement funds) will now be considered when validating assets.

## Support of the Updated Uniform Residential Loan Application

The following changes will be made to support the updates made to the loan application data in the DU Specification MISMO V3.4 (DU Spec) version 1.8.2 that was published on June 29, 2021.

**Note:** *The Desktop Originator® (DO®)/DU user interface will also be updated the weekend of Sept. 18, 2021 to support the updated specification.*

### New credit types

The following new credit types will be included in the interested party contribution messaging issued by DU.

- Builder Developer
- Real Estate Agent
- Employer Affiliate
- Lender Affiliate
- Other Interested Party

A verification message will be issued for these new credit types reminding lenders to verify that the minimum borrower contribution is made for the transaction and that the contributions by others do not exceed the limits permitted in the *Selling Guide*.

### Self-employment income

Currently when a borrower is self-employed, DU uses the income disclosed in the Monthly Income (or Loss) field on the loan application in the total income calculation. DU will now use the Gross Monthly Income (base, bonus, overtime, etc.) disclosed on the loan application for a self-employed borrower when the ownership share is less than 25% when calculating total income. Monthly Income (or Loss) should only be used for self-employed borrowers with ownership share of 25% or more.

### New energy message

When the loan application indicates that the “Mortgage loan will finance energy-related improvements,” and an energy improvement amount is not provided, DU will issue a message to remind lenders that if the transaction is a HomeStyle® Energy loan the dollar amount of the energy improvements must be provided.

### Source of funds messages

#### ***Eligible source for grants***

A new message will be added to remind lenders that a grant must come from an entity (e.g., employer, nonprofit, public agency, etc.). If the source of the grant is an individual (e.g., parent, relative, etc.) the loan casefile will receive an Ineligible recommendation as funds from an individual should be entered as a gift.



### **Source missing for gifts or grants**

Lenders must provide the source of any gift, gift of equity, or grant disclosed on the loan application. When a source is not provided, DU will issue a message reminding the lender to ensure that the source of all gifts, gifts of equity, or grants are specified and to resubmit the loan casefile to DU.

### **Source missing for subordinate financing**

When entering information on new subordinate financing, lenders must provide the source of the subordinate financing. When new subordinate financing is provided and the source is not provided, DU will issue a message reminding the lender to ensure that the source of all new subordinate financing is specified and to resubmit the loan casefile to DU.

## **Real estate information**

DU applies the Multiple Financed Properties Policy guidelines specified in the *Selling Guide* to second home and investment property loan casefiles. As commercial real estate, multifamily properties, vacant lots, and farms are not included in the properties subject to the limitations in the policy, additional information on the borrower's real estate properties is needed to apply the guidelines correctly. Lenders will now be able to provide this additional information.

In the Property Information section, after providing the Intended Occupancy for the specific real estate property, the lender can now use the Other Description field to enter the appropriate description prior to submitting the loan casefile. The lender would provide "Commercial," "Multifamily," "Land," or "Farm" in the Other Description field, as applicable. When this additional information is provided, DU will use this information when applying the eligibility and reserve requirements associated to the multiple financed properties policy.

## **FIPS Code Verification Message**

When a Federal Information Processing Standard (FIPS) code is provided by the lender on the loan application DU will use that FIPS code to determine the area median income (AMI) limit to be applied to the loan casefile. The FIPS code includes the state number as the first two digits, the next three correspond to the county number, and the next six correspond to the census tract number.

A new message will be issued by DU when the lender provides a FIPS code on the loan application. The message will specify the FIPS code provided by the lender, as well as the county that was derived from the provided code. As the FIPS code is used to determine the AMI to be applied to the loan casefile, the message will also instruct the lender to document the subject property is located in the specified census tract or county.

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

### **Depository asset requirements**

As specified in *Selling Guide* Announcement SEL-2021-06, for limited cash-out and cash-out refinance transactions, lenders may use the most recent one-month period of account activity to document bank statements or investment portfolio statements. The depository asset message issued by DU will be updated to only require a bank statement covering a one-month period on refinance transactions.

### **Miscellaneous Message Text Changes**

To continue to provide clarity and consistency with the *Selling Guide*, various DU messages will be updated.



## 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.