

Desktop Underwriter/Desktop Originator Release Notes

DU Version 11.0 December Update

Dec. 5, 2022

During the **weekend of Dec. 10, 2022**, Fannie Mae will implement an update to Desktop Underwriter® (DU®) Version 11.0. With the exception of the enhancements to support loans where no borrower has traditional credit, the changes in this release will apply to DU Version 11.0 loan casefiles **submitted or resubmitted** on or after the weekend of Dec. 10, 2022.

The changes in this release include the following:

- Enhancements to Support Loans Where No Borrower has Traditional Credit
- Updates to Loan-level Price Adjustments
- Rent Payment Identification on Verification of Asset Reports
- Updates to Align with the Selling Guide

Enhancements to Support Loans Where No Borrower has Traditional Credit

To ensure the overall risk assessment is appropriate, an updated risk assessment will be applied to DU loan casefiles where no borrower has a credit score.

Note: *These enhancements will only be applied to new loan casefiles created on or after Dec. 11, 2022.*

Eligibility Guidelines

Fannie Mae is expanding the eligibility guidelines for loan casefiles where no borrower has a credit score. One- to four-unit properties (including manufactured homes) will now be permitted up to standard LTV, CLTV, and HCLTV ratios (not to exceed 95% except for those using a Community Seconds® loan), and up to the standard maximum allowable debt-to-income ratio of 50%.

DU will apply the following eligibility requirements to loan casefiles where no borrower has a credit score. Loan casefiles that do not meet these guidelines will receive an “Out of Scope” recommendation.

- Principal residence transaction where all borrowers will occupy the property
- Purchase or limited cash-out refinance transaction
- Fixed-rate mortgage
- Loan amount must meet the general loan limits (may not be a high-balance mortgage loan)

Risk Factors Evaluated by DU

DU will consider the following factors when evaluating the overall credit risk of loans where no borrower on the loan casefile has a credit score:

- Borrower’s equity and LTV ratio
- Liquid reserves
- Debt-to-income ratio
- Property type

If a loan casefile does not receive an Approve recommendation, the lender may manually underwrite and document the loan according to Fannie Mae’s nontraditional credit guidelines as specified in the *Selling Guide*.



Cash Flow Assessment

For loan casefiles where no borrower has a credit score, DU will conduct a cash flow assessment when the lender obtains a 12-month third-party asset verification report (“verification report”) that includes the borrower’s depository and/or investment accounts. DU will review transaction patterns, balance trends over time, and other data provided in the verification report. Positive observations made in this assessment will be used to enhance the DU risk assessment.

Note: *If the borrower has multiple accounts, a more comprehensive view of the borrower’s banking behavior will be seen if there are multiple verification reports that include data from all of the borrower’s depository and investment accounts.*

DU will issue the following messages related to the use of these verification reports:

- When a verification report is received and DU is able to use the data in the analysis of the loan casefile resulting in an Approve/Eligible recommendation, a message will be issued specifying that DU conducted a cash flow assessment using an asset verification report.
- When a verification report is received and DU is unable to use the data in the analysis of the loan casefile, DU will issue a message specifying the reason the data could not be used.
- When a verification report is not received and the loan casefile receives a Refer with Caution recommendation, DU will issue a message informing the lender that the loan casefile may be able to receive a more favorable DU recommendation by ordering a 12-month third-party asset verification report.

Documentation of Nontraditional Credit History

When DU conducts a cash flow assessment and provides an Approve/Eligible recommendation, a message will be issued informing the lender that the verification report may be used to satisfy the nontraditional credit history requirements for all borrowers, as outlined in the *Selling Guide*.

Updates to Loan-level Price Adjustments

As specified in Lender Letter LL-2022-05, Fannie Mae will waive LLPAs for specific transactions. In support of this change, the following updates will be made to DU.

- A new message will be issued on loan casefiles for first-time homebuyers whose qualifying income is at or below 100% of the applicable AMI for the area in which the subject property is located (120% if the property is in a high-cost area). This message will identify the loan casefiles eligible for this LLPA waiver and remind lenders to deliver with SFC 873.
- The Observation messages that indicate the loan casefile may be eligible as a Duty to Serve manufactured housing loan or a Duty to Serve high-needs rural housing loan will be updated to remind lenders to deliver Duty to Serve purchase or limited cash-out refinance loans with SFC 874.

Rent Payment Identification on Verification of Asset Reports

We continue to fine-tune the logic that identifies the rent payment history on verification reports. Based on recent observations, updates will be made to improve DU’s ability to identify a rent payment history.

Note: *As continued analysis on this logic is performed, future updates will be made as necessary, and will be communicated in advance of the update being made in DU.*

Updates to Align with the *Selling Guide*

Single-width Manufactured Homes

DU Specification version 1.8.3 was released on Sept. 28 and included a new Manufactured Home Width Type field. DU will use this field to issue specific messages when Single-Wide is provided. These messages will remind lenders of single-width requirements



specified in the *Selling Guide*. DU will also issue a message to remind lenders to provide a Width Type on loan casefiles with a Construction Method of Manufactured when Width Type is not provided.

Source of Gifts

Selling Guide Announcement SEL-2022-08 expanded the list of acceptable gift donors to include a non-relative that shares a familial relationship with the borrower, specifically a former relative, relative of a domestic partner, and godparent. DU will be updated to allow lenders to indicate the source of the gift as an “Unrelated friend” to account for these donors.

Social Security Income

Selling Guide Announcement SEL-2022-09 expanded the documentation options for borrowers drawing Social Security income to allow the SSA-1099 or the most recently signed federal income tax returns (or tax transcripts). The DU message will be updated to support this update.

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 Business Account Management Solutions (BAMS) 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.