

Desktop Underwriter/Desktop Originator Release Notes

DU Version 12.0

Nov. 20, 2024

During the **weekend of Jan. 11, 2025**, Fannie Mae will implement Desktop Underwriter® (DU®) Version 12.0, 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 Jan. 11, 2025. Loan casefiles created in DU Version 11.1 and resubmitted after the weekend of Jan. 11 will continue to be underwritten through DU Version 11.1.

The changes in this release include the following updates:

- DU Risk and Eligibility Assessment
- Significant Derogatory Credit Event Treatment
- Loans for Borrowers without Credit Scores
- Cash Flow Assessment
- Rent Payment Identification
- Mission Index Information
- Value Acceptance LTV Ratio
- Updates to Align with the *Selling Guide*
- Retirement of DU Version 11.0

DU Risk and Eligibility Assessment Update

As part of normal business operations and prudent risk management, we regularly review and update the DU risk assessment based on the latest market conditions and loan performance data. These updates are intended to ensure mortgages are safe and sustainable both for homeowners and for Fannie Mae; and enable us to continue to provide a steady and stable source of mortgage financing.

With the release of DU V. 12.0:

- We deliver meaningful improvements in DU's ability to analyze mortgage delinquency risk through a comprehensive examination of the risk factors from the loan application and the credit risk factors from a borrower's credit report.
- We extend the benefits of positive rent payment history and cash flow assessment to more borrowers.
- We expand our ability to evaluate borrowers with thin credit and no credit scores.

Updated Risk Factors

DU will continue to evaluate multiple factors from the borrower's loan application and credit report to perform a comprehensive risk assessment. The following risk factors will be updated with DU V. 12.0.

Note: No changes will be made to the other risk factors listed in *Selling Guide* section [B3-2-03, Risk Factors Evaluated by DU](#).

Debt-to-Income Ratio/Debt Composition

DU will continue to evaluate the composition of the borrower's debt; however, DU will no longer look at the composition of revolving debts within the borrower's total monthly expenses. DU will continue to look at the borrower's debt composition in relation to student loan debts.



Variable Income

DU will no longer evaluate a borrower’s variable income (i.e., bonus, overtime, commission, and miscellaneous) as a factor in the DU risk assessment.

First-time Homebuyer

The presence of a first-time homebuyer on the loan application will now be considered a mitigating factor in the DU risk assessment. DU V. 12.0 research showed that loans where a borrower identified themselves as first-time homebuyers performed better than similar loans for borrowers that had previously owned a home.

Risk Factor Messaging

The messages in DU that specify the risk factors that impacted the recommendation will be updated to reflect the changes to the risk factors noted above and will also provide additional specificity regarding the credit risk factors from a borrower’s credit report.

The Lender Guidance for Use with Applicants messages will also be updated to provide lenders additional actionable guidance on potential updates to the terms of the loan, or the use of a 12-month asset report that includes the borrower’s rent payment history, to help improve the recommendation received by DU.

Significant Derogatory Credit Event Treatment

Per the requirements of [B3-5.3-07, Significant Derogatory Credit Events — Waiting Periods and Re-establishing Credit](#), an amount of time must elapse after a significant derogatory credit event before the borrower is eligible for a new loan salable to Fannie Mae. When it does not appear that a borrower has met the waiting period requirements for a foreclosure or bankruptcy DU V. 12.0 will now issue an Ineligible recommendation (i.e., Approve/Ineligible) instead of a Refer with Caution recommendation.

The same change will be made on loan casefiles for a borrower whose credit report contains a mortgage tradeline that is 60 or more days past due when the account was last reported.

Note: No changes are being made to the waiting periods required for the significant derogatory credit events specified in the Selling Guide section referenced above.

Loans for Borrowers without Credit Scores

No Borrower Has a Credit Score

Currently only certain transactions are permitted (e.g., principal residence, fixed-rate mortgage) when no borrower on the loan application has a credit score. With the release of DU V. 12.0 we are expanding the types of loans eligible for these borrowers.

DU will apply the following guidelines on loan casefiles where no borrower has a credit score:

Borrower credit profile	Guidelines applied
<ul style="list-style-type: none"> No borrower has a credit score At least one borrower has a minimum of one credit account or installment account reported on their credit report 	<ul style="list-style-type: none"> No limitations on loan purpose or occupancy, the loan application will be subject to standard eligibility guidelines Risk assessed using the borrower’s reported credit
<ul style="list-style-type: none"> No borrower has a credit score. No borrower has at least one credit account or installment account reported on their credit report. 	<ul style="list-style-type: none"> Property must be a one- to four-unit, principal residence, and all borrowers must occupy the property.



Borrower credit profile	Guidelines applied
	<ul style="list-style-type: none"> ▪ Transaction must be a purchase or limited cash-out refinance. <p><i>Note: If these requirements are not met, the loan casefile will receive an Out of Scope recommendation.</i></p>

Nontraditional credit references will be required for each borrower without a credit score. This can be completed manually or by providing a 12-month asset verification report and obtaining a cash flow assessment through DU.

At Least One Borrower Has No Credit Score and Another Borrower Has a Credit Score

Currently when one borrower on the loan application has no credit score and another borrower has a credit score, only certain transactions are permitted (e.g., one-unit, principal residence). These transactions will no longer be subject to limitations on loan purpose or occupancy and will now be subject to standard eligibility guidelines.

For these transactions, when the borrower with a credit score is contributing 50% or less of the qualifying income, DU will continue to require the lender to document a nontraditional credit history for each borrower without a credit score. This can be completed manually or by providing a 12-month asset verification report and obtaining a cash flow assessment through DU.

Cash Flow Assessment

DU currently conducts a cash flow assessment on loan casefiles where no borrower has a credit score. The positive benefits of a cash flow assessment will no longer be limited to borrowers without a credit score.

As a reminder, to be eligible for the cash flow assessment in DU:

- The lender must obtain an asset verification report with 12 months of bank data through an authorized DU validation service asset verification report vendor and confirm the borrower is an account holder.
- At the time of loan origination, the originating lender must have access to the full asset verification report containing the data covering the timeframe provided to DU for the cash flow assessment.

Note: As specified above, cash flow assessment can be used to positively supplement the credit risk assessment and to cover the documentation requirement for nontraditional credit references for borrowers without a credit score.

Rent Payment Identification

DU currently only considers positive rent payment history using a 12-month asset verification report for first-time homebuyers purchasing a principal residence and requires the borrower to have a credit score.

We will expand the evaluation of rent payment history to the following:

- Certain additional borrowers currently paying rent, even if that borrower has had an ownership interest in another property in the last three years.
- Positive rent payment history using any rental accounts reported on the borrower's credit report will be considered, in addition to the continued use of rent payments identified on a 12-month asset verification report.

For DU to consider positive rent payment history for a specific borrower, that borrower must:

- Not have mortgage reported on their credit report,
- have a limited credit history, or
- have no credit score.



DU will continue to issue messages specifying when the borrower’s rent payment history was used and will indicate if that rent was used from the asset verification report or the credit report. When the rent payment was not used, DU will continue to indicate the reason it was not used.

Mission Index Information

The following new Observation messages are being added in support of the [Mission Index](#):

- A new message will be added when the census tract obtained for the property was based on the zip code specifying that the Mission Index information may change when the loan is sold to Fannie Mae if more updated information is available; and
- A new message will be added when the Mission Index is 0.

Value Acceptance LTV Ratio

As announced on Oct. 28, 2024, the eligible loan-to-value (LTV) ratios for purchase loans to receive a Value Acceptance offer will increase from 80% to 90% and to receive a Value Acceptance + Property Data offer will increase from 80% to the program limits. The table below outlines the updated eligibility that will be applied to loan casefiles submitted or resubmitted on or after the weekend of Jan. 11, 2025.

Updated maximum LTV ratio	
Purchase transactions (1-unit only)	
Value acceptance	90% ¹
Value acceptance + property data	97% ² (up to program limits)

¹ Principal residences in “high-needs rural” locations are eligible up to a 97% LTV/105% CLTV (if the loan is part of a Community Seconds transaction) for borrowers at or below AMI, contingent on home property inspection.

² The CLTV may exceed the stated limit up to 105% CLTV only if the loan is part of a Community Seconds transaction.

Note: *Unlike the other enhancements in these release notes, these changes will be applied to new loan casefiles underwritten with DU Version 12.0, as well as resubmissions of loan casefiles underwritten with DU Version 11.1.*

Updates to Align with the Selling Guide

Miscellaneous Message Text Changes

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

Retirement of DU Version 11.0

With the release of DU Version 12.0, DU Version 11.0 will be retired. Therefore, effective the weekend of Jan. 11, 2025, customers will no longer be able to resubmit loan casefiles to DU Version 11.0. Customers will be able to view online loan applications and DU Underwriting Findings reports that were created under DU Version 11.0. To obtain an updated underwriting recommendation after the weekend of Jan. 11, customers must create a new loan casefile and submit it to DU.

Note: *DU Version 11.0 loan casefiles would have been created prior to Feb. 25, 2023; therefore, those loan casefiles would have been created 23 months prior to the retirement of DU Version 11.0.*

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.