

## Automated underwriting

Fannie Mae's Desktop Underwriter® (DU®) is the industry-leading automated underwriting system. For more than 25 years, DU has provided lenders a comprehensive risk assessment that determines whether or not a loan meets Fannie Mae eligibility requirements.

DU simplifies the underwriting process for borrowers with nontraditional credit. Lenders can leverage the power of DU to take these borrowers down an automated underwriting path toward homeownership, rather than relying on a time-consuming manual process. DU provides more certainty and simplicity while expanding access to credit and sustainable homeownership for creditworthy borrowers.

## Eligibility criteria

DU assesses loans on which either **no** borrowers have traditional credit or **at least one** borrower lacks traditional credit. To ensure the overall risk assessment is appropriate for these loans, DU applies additional requirements.

For loans on which no borrowers have traditional credit:

- Property must be a one-unit principal residence, and all borrowers must occupy the property (manufactured homes are not eligible).
- Transaction must be a fixed-rate purchase or limited cash-out refinance.
- Loan amount must meet the general loan limits (high-balance mortgage loans are not eligible).
- LTV, CLTV, and HCLTV ratios must not exceed 90%.
- Debt-to-income ratio must be less than 40%.

For loans on which at least one borrower lacks traditional credit (and other borrower(s) has a credit score), similar requirements to the above apply; however, there is no additional restriction on LTV, CLTV, and HCLTV ratios or on debt-to-income ratios. See the *Selling Guide* for details.

## Nontraditional credit documentation

DU provides process efficiency for documentation, as its requirements are more flexible than for manually underwritten loans. When an Approve recommendation is received, the lender must document and assess a 12-month pay history for at least two nontraditional credit sources for each borrower, one of which must be housing-related (rent).

**NOTE:** For loans on which at least one borrower lacks traditional credit, if the borrower(s) with a credit score is contributing more than 50% of the qualifying income, the lender is not required to document a nontraditional credit history for the borrower(s) without a credit score.

If DU does not issue an Approve recommendation, the lender may manually underwrite and document the loan according to the *Selling Guide*. Manually underwritten loans require three to four nontraditional credit sources.

For more information, review *Selling Guide* B3-5.4-01, [Eligibility Requirements for Loans with Nontraditional Credit](#).

