



Desktop Underwriter/Desktop Originator Release Notes Frequently Asked Questions

Dec. 17, 2018

During the **weekend of Dec. 8, 2018**, Fannie Mae implemented Desktop Underwriter® (DU®) Version 10.3, which applies only to new loan casefiles submitted to DU on or after Dec. 8. Loan casefiles created in DU Version 10.2 and resubmitted after the weekend of Dec. 8 will continue to be underwritten through DU Version 10.2.

The changes in this release include the following:

- DU Risk Assessment Update
- Appraisal Waiver Changes
- Retirement of DU Version 10.1
- Updates to Align with the *Selling Guide*

View the DU Version 10.3 [Release Notes](#) for more information.

General

Q1. Will the changes made in DU Version 10.3 impact DU Version 10.2 loan casefiles created prior to the weekend of Dec. 8, 2018 and re-underwritten after the weekend of Dec. 8?

No. With the exception of two of the appraisal waiver changes (disaster impacted message and the rural high needs appraisal waiver message), the changes made with DU Version 10.3 will not impact DU Version 10.2 loan casefiles that are re-underwritten after the weekend of Dec. 8.

Q2. Do any of the changes made in DU Version 10.3 apply to FHA or VA loan casefiles underwritten through DU?

No. The DU Version 10.3 updates only impact conventional loans, not FHA or VA loans underwritten through DU.

DU Risk Assessment Update

Q3. Will the updates to the risk assessment impact the number of loan casefiles that receive an Approve recommendation through DU?

With the updated risk assessment it is expected that slightly fewer DU loan casefiles will receive an Approve/Eligible recommendation, with the most noticeable reduction being loans with multiple high-risk factors (e.g., high LTV transactions for borrowers with a weaker credit profile).

Q4. Why was housing expense ratio added as a risk factor? Does that mean that DTI is no longer as important?

The debt-to-income ratio (DTI) remains an important factor in the risk assessment and the eligibility assessment. The borrower's housing expense ratio was added as a risk factor because our research has shown that borrowers whose total monthly expense is composed primarily of their housing expense may



find it more difficult to pay their housing expense when experiencing an event that would cause financial distress, such as the loss of a job.

Q5. Was there a change with how trended credit data is being used by DU?

DU will still use trended data to analyze how the borrower is paying their revolving accounts each month. To determine this, DU will not use the actual payment reported, but the other trended data elements received in the credit report (balances and limits that trend back in time).

Debt-to-Income Ratio

Q6. Why was a reserve requirement added for cash-out refinance transactions with a DTI over 45 percent?

The reserve requirement was added to address the risk of high DTI transactions with multiple risk layers, which was a concern shared by other credit risk takers in the market. We believe this reserve requirement will address risk management and sustainability concerns. Lenders must continue to document the Total Funds to be Verified amount provided by DU.

Q7. Why was the DU resubmission tolerance updated?

The DU resubmission tolerance was updated to better align with the updated risk assessment and to address the additional eligibility requirement for cash-out refinance transactions with a DTI over 45 percent. This will ensure a more accurate reporting of income, assets, and debts on the DU loan application.

NOTE: The updated resubmission policy applies to DU Version 10.3 loan casefiles. Lenders may continue to follow the previous tolerance of 3 or more percentage points up to a maximum of a 50% DTI for loan casefiles underwritten through DU Version 10.2.

Loans for a Borrower without Traditional Credit

Q8. The release notes state that DU will look for the presence of a credit score to determine if a borrower has traditional credit, and will also require that the borrower have at least one credit report account that is not a medical tradeline. If a borrower has a credit score but only medical tradelines, can the loan be underwritten in DU?

No. These loans will receive an Out of Scope recommendation. Borrowers with only medical tradelines do not provide enough information for DU to develop a robust credit evaluation. These loans remain eligible for delivery to Fannie Mae through our manual underwriting guidelines.

NOTE: Because these borrowers have a credit score, they are not considered nontraditional credit borrowers and would be manually underwritten in accordance with the Eligibility Matrix.

Appraisal Waiver Changes

Disaster Impacted Areas

Q9. Will the message issued on properties impacted by a recent disaster be issued on every loan casefile for disaster-impacted properties?



No. The message issued on disaster impacted properties would only be issued when the loan casefile was eligible for an appraisal waiver prior to the disaster, and continues to be eligible for the appraisal waiver after the disaster because it meets all other appraisal waiver eligibility requirements.

Q10. A DU Version 10.2 loan casefile was eligible for the appraisal waiver, but lost the appraisal waiver *prior to the weekend of Dec. 8* because of a recent disaster. If the loan casefile is resubmitted *after the weekend of Dec. 8*, could it again become eligible for the appraisal waiver?

Yes. As long as the casefile meets all other appraisal waiver eligibility requirements, the loan casefile could once again be eligible for the appraisal waiver, and would also receive the new disaster message. The new disaster message will indicate that the lender may accept the appraisal waiver offer but must take prudent and reasonable actions to determine if the condition of the property has been materially impacted by the disaster, and comply with the property eligibility requirements in the *Selling Guide* that pertain to properties affected by a disaster.

Rural High-Needs Appraisal Waiver

Q11. What transactions are eligible for the rural high-needs appraisal waiver?

The rural high-needs appraisal waiver will be offered on certain purchase transactions for properties located in an area designated as rural high-needs based on Duty to Serve requirements. For more information, refer to the [fact sheet](#).

Properties Valued at \$1,000,000 or more

Q12. Will DU Version 10.2 loan casefiles with an estimated value of \$1,000,000 or more lose the appraisal waiver when it is resubmitted to DU after the weekend of Dec. 8?

No. DU will apply this change only to loan casefiles created on or after the weekend of Dec. 8. Resubmissions of existing refinance loan casefiles that received the appraisal waiver will not be impacted by the change and lenders can continue to exercise the appraisal waiver.

Retirement of DU Version 10.1

Q13. How can I update and resubmit my DU Version 10.1 loan casefile after the weekend of Dec. 8?

If a DU Version 10.1 loan casefile needs to be re-underwritten after Dec. 8, the lender would need to create a new loan casefile and submit it to DU. That loan casefile would then be underwritten using DU Version 10.3.