Top Trending Questions For DU Specification MISMO Version 3.4

Get Answers to Frequently Asked Questions (FAQs) - Updated Periodically

January 31, 2022

Find answers below to the top trending questions received from our customers related to the implementation of the DU Specification MISMO v. 3.4 (DU Spec). There are more supporting documents such as FAQs in the DU Implementation Guide MISMO V. 3.4 and on the URLA and Technology Integration webpages.

Q1. **UPDATED** Which data points are used for Purchase Credits? Why does it appear in two sections of the redesigned URLA?

   The DU Spec references five data points that support Purchase Credits: PurchaseCreditType (Unique ID 5.0244), PurchaseCreditTypeOtherDescription (Unique ID 17.0024), PurchaseCreditSourceType (Unique ID 5.0270), PurchaseCreditSourceTypeOtherDescription (Unique ID 5.0271) and PurchaseCreditAmount (Unique ID 5.0245).

   Each PurchaseCreditAmount must have an associated PurchaseCreditType or PurchaseCreditSourceType but cannot have both. PurchaseCreditSourceType and PurchaseCreditType are mutually exclusive in a single PurchaseCredit container in the DU Loan Application Submission file.

   If you have a purchase credit of “BorrowerPaidOutsideClosing,” you include the amount on the Lender Loan Information Form L4. Qualifying the Borrower section under “TOTAL CREDITS” Line “M. Other Credits.” DU expects to receive detailed amounts for “M. Other Credits” even though the form captures other credits as a total. Fannie Mae will calculate the total of other credits in DU, which is why there is not a corresponding data point for “M. Other Credits” in the DU Spec.

   The enumeration “LotEquity” is not a valid enumeration for PurchaseCreditType. The Lot Equity must each be structured in the XML using PurchaseCreditType = “Other” and “PurchaseCreditTypeOtherDescription = “LotEquity”. DU will only allow Purchase PurchaseCreditTypeOtherDescription to include “LotEquity” in the string field. Using another value for PurchaseCreditTypeOtherDescription will generate a warning message in DU that the description is dropped, but the amount will be used by DU.

   If you want to send a purchase credit type not included on the form or in the DU Spec and you want to avoid getting a warning from DU, DU will accept PurchaseCreditType = "Other" without supplying a value in PurchaseCreditTypeOtherDescription. DU only recognizes the values defined in the spec for PurchaseCreditSourceType, if there is a need to send a purchase credit source type not included in the DU spec use the PurchaseCreditType = “Other”. DU only accepts a PurchaseCreditSourceType = “Other” with the defined values for PurchaseCreditSourceTypeOtherDescription. Please refer to the DU Spec for supported enumerations.

Q2. **UPDATED** Why were the data points PropertyUsageType (Unique ID 15.0009) and PropertyUsageTypeOtherDescription (Unique ID 15.0010) added to the DU Spec?
In scenarios where the borrower(s) retains an owned property but intends on using the property differently in the future than they are currently using it, DU must distinguish the intended/future usage from the current usage in order to evaluate the mortgage loans and expenses related to each property. The data point PropertyUsageType is included on the Borrower Information form in sections 3a., 3b. and 3c., as the form field “Intended Occupancy.”

These new data points are placed in the OWNED_PROPERTY container. PropertyUsageType has the enumerations of Investment, PrimaryResidence, SecondHome, and Other to support the fields on the form.

Here is an example of PropertyUsageType in the XML:

```
<OWNED_PROPERTY>
  <OWNED_PROPERTY_DETAIL>
    <OwnedPropertyDispositionStatusType>Retain</OwnedPropertyDispositionStatusType>
    <OwnedPropertyMaintenanceExpenseAmount>493.00</OwnedPropertyMaintenanceExpenseAmount>
    <OwnedPropertySubjectIndicator>false</OwnedPropertySubjectIndicator>
  </OWNED_PROPERTY_DETAIL>
  <PROPERTY>
    <ADDRESS>
      <AddressLineText>175 13th St</AddressLineText>
      <CityName>Washington</CityName>
      <PostalCode>20013</PostalCode>
      <StateCode>DC</StateCode>
    </ADDRESS>
    <PROPERTY_DETAIL>
      <PropertyCurrentUsageType>PrimaryResidence</PropertyCurrentUsageType>
      <PropertyEstimatedValueAmount>800000.00</PropertyEstimatedValueAmount>
      <PropertyUsageType>SecondHome</PropertyUsageType>
    </PROPERTY_DETAIL>
  </PROPERTY>
</OWNED_PROPERTY>
```

**NOTE:** In the example above, the primary residence is now going to be a second home for the borrower(s). The user can also show that the usage is not changing by having PropertyCurrentUsageType and PropertyUsageType as the same value.

Provide PropertyUsageType = “Other” when “PrimaryResidence”, “Investment” or “SecondHome” does not describe the intended usage of the property. For example, the property consists of undeveloped land, or the borrower is retaining the property but does not know at closing how they intend to use the property in the future.
If PropertyUsageType = "Other", "SecondHome" or "PrimaryResidence" is provided, expenses related to the REO property will be included in the Total Monthly Obligation.

The PropertyUsageTypeOtherDescription may be used when PropertyUsageType = “Other”, or when the property is one of the four property types described in the next two paragraphs.

DU applies the Multiple Financed Properties Policy guidelines specified in the Selling Guide to second home and investment property loan casefiles. DU determines the number of financed properties based on the TotalMortgagedPropertiesCount field, if provided. If this field is not provided, then DU uses the number of owned properties that are associated with a mortgage or HELOC liability as the number of financed properties. However, properties that are identified as Commercial, Multifamily, Land, or Farm are not counted when determining the number of financed properties.

To identify an owned property as one of these excluded types, enter the applicable description in the PropertyUsageTypeOtherDescription field (i.e., Commercial, Multifamily, Land, or Farm). When this additional information is provided, DU does not count the property when applying the eligibility and reserve requirements associated to the multiple financed properties policy (for more details please refer to the Selling Guide).

Q3. **UPDATED** In what scenarios would ClosingAdjustmentItemType (Unique ID 17.0025) = “LenderCredit” and/or FundsSourceType (Unique ID 5.0187) = “Lender” be used?

ClosingAdjustmentItemType = “LenderCredit” is included in the loan submission file when the lender is covering a portion of the borrower’s closing costs (and/or prepaid fees). For example, when there is premium pricing and the borrower pays a slightly higher interest rate for the lender to cover all or part of the borrower’s closing costs, you would include the ClosingAdjustmentItemType = “LenderCredit” and the amount of the credit in ClosingAdjustmentItemAmount (Unique ID 17.0027). This amount is included in Lender form in section “L4. Qualifying the Borrower, Line M. Other Credits.”

The enumeration of “Lender” for FundsSourceType was added to the DU Spec for when the lender is giving the borrower a grant to cover part of the down payment. These grants are typically for lower income, lower down payment loans that help the lender meet their CRA requirements and help borrowers purchase a home. The Lender Grant is captured on the Borrower form in section “4d. Gifts or Grants You Have Been Given or Will Receive for this Loan” as the “Source.”
Please be aware that while the form allows you to select “Lender” as the “Source” on the form and FundsSourceType = “Lender” is included in the DU Spec, Fannie Mae does not purchase loans where a lender provides a grant. Using this enumeration will result in a warning message and an Approve/Ineligible recommendation.

5 This loan casefile is ineligible because a lender provided gift or grant is not permitted. The lender may provide the borrower with a credit to fund borrower-paid closing costs and prepaid fees, but the lender cannot fund any portion of the down payment or financial reserves. The amount of lender paid closing costs and prepaids must be entered as a Lender Credit and should not be entered as a gift or grant. Remove the gift or grant (and if the amount is reflected in another asset on the loan application, remove the amount from the asset) and resubmit the loan casefile to DU. Refer to the Selling Guide for additional information.
Q4. **How are sections “L1. Property and Loan Information” and “L4. Qualifying the Borrower” on the Lender Form completed for construction-to-permanent loans?**

Construction-to-permanent financing can be structured as a transaction with either a “single-closing” or “two-closing” limited cash-out refinance. This trending question will highlight the XML data and the relevant Lender Form section “L1. Property and Loan Information” and “L4. Qualifying the Borrower” to illustrate a Single-Closing Limited Cash Out Refinance and a Two-Closing Limited Cash Out Refinance.

**Single-Closing Construction-to-Permanent Transactions**

A single-closing construction-to-permanent mortgage loan may be closed as one of the following:

- **Purchase transaction** when the borrower is not the owner of the lot at the time of the first advance of interim construction financing, and the borrower is using the proceeds from the interim construction financing to purchase the lot and finance the construction of the property.

- **Limited cash-out refinance transaction** when the borrower must have held legal title to the lot before he or she receives the first advance of interim construction financing. The borrower is using the proceeds from the construction financing to pay off any existing liens on the lot and finance the construction of the property. This type of transaction is not a “true” limited cash-out refinance whereby the borrower refinances a loan(s) that was used to purchase a completed property. However, all other requirements for limited cash-out refinances apply.

The following is a sample of a single-closing, limited cash-out refinance construction-to-permanent transaction. For the complete XML and full URLA forms please refer to test case DI-C05.

“L1. Property and Loan Information” of the Lender Form and the related XML
“L4. Qualifying the Borrower” – Construction costs are reflected as $275,000 on “Line A. Sales Contract Price.” The payoff of the $25,000 remaining lot lien is shown on Line D. The loan amount is $290,000.
Two-Closing Construction-to-Permanent Transactions

Two-closing construction-to-permanent mortgage transactions utilize two separate loan closings with two separate sets of legal documents. The first closing is to obtain the interim construction financing (and may include the purchase of the lot), and the second closing is to obtain the permanent financing upon completion of the improvements. Fannie Mae does not purchase construction loans (the first closing). However, Fannie Mae does purchase loans that were used to provide the permanent financing. In a two-closing construction-to-permanent transaction, the permanent mortgage delivered to Fannie Mae may be closed as either of the following:

- Limited Cash-out Refinance transaction.
- Cash-out Refinance transaction.

The following is a sample of a two-closing, limited cash-out refinance construction-to-permanent transaction. For the complete XML and full URLA forms, please refer to test case DI-C06.
In a two-closing transaction no value is sent in the XML or shown on the form in section “L4. Line A. Sales Contract Price.” Rather, the $145,000 financed construction cost is reflected on “Line D. For Refinance: Balance of Mortgage Loan” as a payoff of the interim construction loan. In the XML the $145,000 amount is reflected as a payoff of “LIABILITY_1” where LiabilityPayoffStatusIndicator (Unique ID 6.0016) = “true,” and in the LIABILITY_SUMMARY as TotalSubjectPropertyPayoffsAndPaymentAmount (Unique ID 7.0055).
Q5. What data related to Maintenance Expenses needs to be provided to ensure that the “Debt-to-Income” (DTI) ratio and “All Other Payments” amount is calculated correctly in the DU Findings for Second Home or Investment loan transactions?

A change was recently made in DU to calculate the DTI ratio and the amount for “All Other Payments” on Second Home and Investment property transactions. The system will use the value specified in OwnedPropertyMaintenanceExpenseAmount (Unique ID 6.0094) for these calculations and will no longer require the creation of an associated liability to perform these calculations.

Please refer to the Integration Impact Memo titled [DU v10.3 May Update Integration Impact Memo | May 16, 2020](#) for further information on how this may impact your system.

Q6. **UPDATED** The values listed for InvestorProductPlanIdentifier (Unique ID 13.0053) in the DU Spec are just codes. Where is the information for what those codes represent?

This [link](#) has been added to the DU Spec in the Implementation Notes of InvestorProductPlanIdentifier. It directs users to the details of the ARM Plan each code represents.
Q7. **What Freddie Mac-specific data points and enumerations are allowed/not allowed to be included in a DU Loan Application Submission file sent to Fannie Mae?**

Fannie Mae will allow the inclusion of any valid MISMO v3.4 data points that Freddie Mac uses on the Loan Application Submission file even if they are not included in the DU Spec.

Fannie Mae will **NOT** allow the inclusion of any data points that Freddie Mac has added to its file using EXTENSION containers with Freddie Mac’s custom namespace.

Even if an enumeration used by Freddie Mac is valid in MISMO v3.4, Fannie Mae will **NOT** allow the use of the enumerations that are not listed in the DU Spec.

Q8. **How is Rental Income from a two- to four-unit Primary Residence entered into DU to make sure the Debt-To-Income (DTI) calculation is correct?**

Effective with the DU 10.3 May Update, DU submissions based on the 1003 v3.2, AUS 2.3.1 and the DU Spec formats will use the Gross Rental Income or Net Rental Income entered for borrower’s two- to four-unit current residence in the REO section of the loan application for the DTI ratio calculation. When Net Rental Income is entered, that amount will be used for the DTI ratio calculation. If only Gross Rental Income is provided, DU will use 75% of the Gross Rental Income for the DTI ratio calculation.

**Scenario 1 – A four-unit primary residence (which is the subject property) has rental income from the additional units being refinanced. There is a second home owned by the borrower.**

The property that is being refinanced is placed in Section 3a. of the redesigned URLA. The borrower will provide the Gross Rental Income, and the **lender should calculate and enter the Net Rental Income** as shown below. DU will use 75% of the Gross Rental Income to determine the Net Rental Income if the lender does not provide this information.

The second home information is placed in Section 3b.
In the XML file, the Gross and Net Rental Income will be placed in the OWNEDPROPERTYDETAIL container. The OwnedPropertySubjectIndicator (Unique ID 5.0130) should be set to “true” to show that this is the same property that will be listed under SUBJECTPROPERTY.

The number of units will be placed in the PROPERTYDETAIL container under SUBJECTPROPERTY.

When the loan is run through DU, the Net Rental Income from the XML will show up in the Findings as Subject Positive Cash Flow. The Debt-To-Income (DTI) and Housing Expense ratios will include the Subject Positive Cash Flow in the income amount for the borrower(s) as shown below:
Scenario 2 – A four-unit primary residence (which is not the subject property) has rental income from the additional units. The second home owned by the borrower is being refinanced.

The second home that is being refinanced (and is the subject property) will be placed in section 3a. of the redesigned URLA.
The four-unit primary residence will be placed in section 3b. of the redesigned URLA. The Gross Rental Income will be entered by the borrower and the Net Rental Income should be calculated and entered by the lender. DU will use 75% of the Gross Rental Income to determine the Net Rental Income if the lender does not provide this information.

In the XML file, the Gross and Net Rental Income will be placed in the OWNED_PROPERTY_DETAIL container. The OwnedPropertySubjectIndicator (Unique ID 5.0130) should be set to “false” and the SUBJECTPROPERTY will not need the FinancedUnitCount populated.

Instead of the Net Rental Income showing up as Subject Positive Cash Flow in the DU Findings, the Net Rental Income will show up as Positive Net Rental. The Debt-To-Income (DTI) and Housing Expense Ratios will include the Net Rental Income in the income amount for the borrower(s) as shown below:
Please note that the DU Findings is 32.70% even though the decimal is 32.6949. This is because DU rounds to three digits when it consumes data (so 32.695), and the Findings rounds this value to two decimals.

Q9. **UPDATED** A borrower has an Investment property which is currently vacant. They are refinancing the property and need to show the P&I amount as negative income because there is no rent coming in. What value should be used to show the proper Debt-to-Income (DTI), the current P&I amount, or the proposed P&I amount?

In this scenario, DU is expecting the P&I that is proposed under the new loan terms. In the XML, the present housing payment amount would be shown in either a LIABILITYDETAIL container with
LiabilityType=”MortgageLoan” or “HELOC” or in the LANDLORD_DETAIL container under MonthlyRentAmount. The proposed housing expenses would be in the file as shown below in the HOUSING_EXPENSE container:

```xml
<HOUSING_EXPENSES>
  <HOUSING_EXPENSE SequenceNumber=”1”>
    <HousingExpensePaymentAmount>2210.48</HousingExpensePaymentAmount>
    <HousingExpenseTimingType>Proposed</HousingExpenseTimingType>
    <HousingExpenseType>First Mortgage Principal And Interest</HousingExpenseType>
  </HOUSING_EXPENSE>
</HOUSING_EXPENSES>
```

As the property has no rental income, the Net Rental Income will be -$2210.48 as shown below in the OWNED_PROPERTY container:

```xml
<OWNED_PROPERTY>
  <OWNED_PROPERTY_DETAIL>
    <OwnedPropertyDispositionStatusType>Retain</OwnedPropertyDispositionStatusType>
    <OwnedPropertyLiensAndPMSAmount>400000.00</OwnedPropertyLiensAndPMSAmount>
    <OwnedPropertyRentalIncomeNetAmount>-2210.48</OwnedPropertyRentalIncomeNetAmount>
    <OwnedPropertySubjectIndicator>true</OwnedPropertySubjectIndicator>
  </OWNED_PROPERTY_DETAIL>
  <PROPERTY>
    <ADDRESS>
      <AddressLineText>888 Subject Property</AddressLineText>
      <AddressUnitIdentifier>A103</AddressUnitIdentifier>
      <CityName>Broomfield</CityName>
      <PostalCode>80023</PostalCode>
      <StateCode>CO</StateCode>
    </ADDRESS>
    <PROPERTY_DETAIL>
      <PropertyCurrentUsageType>Investment</PropertyCurrentUsageType>
      <PropertyEstimatedValueAmount>750000.00</PropertyEstimatedValueAmount>
      <PropertyUsageType>Investment</PropertyUsageType>
    </PROPERTY_DETAIL>
  </PROPERTY>
</OWNED_PROPERTY>
```

The inclusion of the Net Rental Income places an amount in the Subject Negative Cash Flow in the DU Findings. This will increase the Total Expense Payment, which will ensure the correct DTI ratio of 15.59%. Below is an example of the DU Findings when Net Rental Income is included and is not provided separately in DU submission. The $2,000 Total Expense Payment on the left (which is included in the $4,210.48 on the right) is the total rent the borrowers are paying for their primary residence. Each borrower is paying $1,000 rent on their current residence as shown in the XML below.
Q10. **UPDATED** How are Present Housing Expenses represented in the Loan Application Submission File?

There are three possible components of Present Housing Expenses:

1. Mortgage Loans or HELOC Loans which are currently being paid on a primary residence
2. Monthly Expenses associated with the current property

3. Rent currently being paid by the borrower(s)

For LiabilityType = “MortgageLoan” or “HELOC”, the Present Housing Expenses will include all amounts where LiabilityPayoffStatusIndicator = “false” and/or LiabilityExclusionIndicator = “false” associated with an OWNED_PROPERTY Asset where the PropertyCurrentUsageType=“PrimaryResidence” and OwnedPropertyDispositionStatusType = “Retain”.

In the example below, ASSET_5 will not be included in the Present Housing Expenses because the PropertyCurrentUsageType = “SecondHome”.

LiabilityType = “MortgageLoan” or “HELOC” associated with ASSET_6 will be included in the Present Housing Expenses.

For maintenance expenses, the amount in OwnedPropertyMaintenanceAmount will be included in Present Housing Expenses if the ASSET has PropertyCurrentUsageType= “PrimaryResidence” and OwnedPropertyDispositionStatusType = “Retain”.

There must be an ArcRole established between the ASSET and LIABILITY for DU to add the Liability amount to the Present Housing Expenses.

If you include taxes and/or insurance in the LiabilityMonthlyPaymentAmount, do not include those amounts in OwnedPropertyMaintenanceAmount or DU will be double counting the amount for Present Housing Expenses.
<ASSET SequenceNumber="5" xlink:label="ASSET_5">
  <OWNED_PROPERTY>
    <OWNED_PROPERTY_DETAIL>
      <OwnedPropertyDispositionStatusType>Retain</OwnedPropertyDispositionStatusType>
      <OwnedPropertyLienUPBAmount>219327.00</OwnedPropertyLienUPBAmount>
      <OwnedPropertyMaintenanceExpenseAmount>700.00</OwnedPropertyMaintenanceExpenseAmount>
      <OwnedPropertySubjectIndicator>true</OwnedPropertySubjectIndicator>
    </OWNED_PROPERTY_DETAIL>
  </OWNED_PROPERTY>
  <ADDRESS>
    <AddressLineText>1234 Ocean Pines</AddressLineText>
    <AddressUnitIdentifier>823</AddressUnitIdentifier>
    <CityName>Rehoboth</CityName>
    <PostalCode>21857</PostalCode>
    <StateCode>MD</StateCode>
  </ADDRESS>
  <PROPERTY_DETAIL>
    <PropertyCurrentUsageType>SecondHome</PropertyCurrentUsageType>
    <PropertyEstimatedValueAmount>420000.00</PropertyEstimatedValueAmount>
    <PropertyUsageType>SecondHome</PropertyUsageType>
  </PROPERTY_DETAIL>
</OWNED_PROPERTY>

<ASSET SequenceNumber="6" xlink:label="ASSET_6">
  <OWNED_PROPERTY>
    <OWNED_PROPERTY_DETAIL>
      <OwnedPropertyDispositionStatusType>Retain</OwnedPropertyDispositionStatusType>
      <OwnedPropertyLienUPBAmount>210279.00</OwnedPropertyLienUPBAmount>
      <OwnedPropertyMaintenanceExpenseAmount>598.00</OwnedPropertyMaintenanceExpenseAmount>
      <OwnedPropertySubjectIndicator>false</OwnedPropertySubjectIndicator>
    </OWNED_PROPERTY_DETAIL>
  </OWNED_PROPERTY>
  <ADDRESS>
    <AddressLineText>4321 Cul de Sac St</AddressLineText>
    <AddressUnitIdentifier>44</AddressUnitIdentifier>
    <CityName>Someplace</CityName>
    <PostalCode>02723</PostalCode>
    <StateCode>NA</StateCode>
  </ADDRESS>
  <PROPERTY_DETAIL>
    <PropertyCurrentUsageType>PrimaryResidence</PropertyCurrentUsageType>
    <PropertyEstimatedValueAmount>600000.00</PropertyEstimatedValueAmount>
    <PropertyUsageType>PrimaryResidence</PropertyUsageType>
  </PROPERTY_DETAIL>
</OWNED_PROPERTY>

<LIABILITY SequenceNumber="2" xlink:label="LIABILITY_2">
  <LIABILITY_DETAIL>
    <LiabilityAccountIdentifier>502083</LiabilityAccountIdentifier>
    <LiabilityMonthlyPaymentAmount>31691.00</LiabilityMonthlyPaymentAmount>
    <LiabilityPaymentIncludesTaxesInsuranceIndicator>false</LiabilityPaymentIncludesTaxesInsuranceIndicator>
    <LiabilityPayoffStatusIndicator>false</LiabilityPayoffStatusIndicator>
    <LiabilityType>MortgageLoan</LiabilityType>
    <LiabilityUnpaidBalanceAmount>210279.00</LiabilityUnpaidBalanceAmount>
  </LIABILITY_DETAIL>
  <LIABILITY HOLDER>
    <NAME>
      <FullName>BEST EVER MORTGAGE</FullName>
    </NAME>
  </LIABILITY HOLDER>
</LIABILITY>

<RELATIONSHIP SequenceNumber="10" xlink:from="ASSET_6" xlink:to="LIABILITY_2" xlink:arcrole="urn:fdc:mismo.org:2009:residential/ASSET_IsAssociatedWith_LIABILITY"/>
Should the borrower(s) be currently renting instead of owning a property, the Present Housing Expense amount will include the MonthlyRentAmount from the LANDLORD section of the Loan Application Submission File.

```xml
<LANDLORD>
  <LANDLORD_DETAIL>
    <MonthlyRentAmount>3500.00</MonthlyRentAmount>
  </LANDLORD_DETAIL>
</LANDLORD>
```

Customers will no longer need to provide Present Housing Expenses in the HOUSING_EXPENSE container of the Loan Application Submission File.

```xml
<HOUSING_EXPENSE>
  <HousingExpensePaymentAmount>235.00</HousingExpensePaymentAmount>
  <HousingExpenseTimingType>Proposed</HousingExpenseTimingType>
  <HousingExpenseType>RealEstateTax</HousingExpenseType>
</HOUSING_EXPENSE>
```

If a Present Housing Expense is provided in the HOUSING_EXPENSE container, DU issues the following Warning.

```
Loan Application Data Warnings

WARNING - HOUSING_EXPENSE / TIMING_TYPE (LOAN_1) - Valid value required ('Present' dropped).
```

Q11. **NEW** How do new subordinate HELOC loans impact the LTV, Combined LTV and HCLTV calculations for DU, and how do existing HELOC loans (including those partially paid off) impact LTV, Combined LTV and HCLTV?

**Scenario 1** – In addition to the new subject loan the borrower has two new subordinate liens (new Related Loans) that are HELOC’s. HELOC 1, has a credit limit of $25,000, with $15,000 balance (Loan Amount/ Amount to be Drawn) leaving an undrawn amount of $10,000. HELOC 2, has a credit limit of $12,000, with a $4,000 balance (Loan Amount/ Amount to be Drawn) and an undrawn amount of $8,000.
<table>
<thead>
<tr>
<th>Data point name</th>
<th>Form Field Name</th>
<th>HELOC 1 Value</th>
<th>HELOC 2 Value</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>HELOCMaximumBalanceAmount (6.0051)</td>
<td>Credit Limit</td>
<td>25,000.00</td>
<td>12,000.00</td>
<td></td>
</tr>
<tr>
<td>HELOCBalanceAmount (6.0220)</td>
<td>Loan Amount / Amount to be Drawn</td>
<td>15,000.00</td>
<td>4,000.00</td>
<td></td>
</tr>
<tr>
<td>TotalSubordinateFinancingAmount (7.0087)</td>
<td>J. Other New Mortgage Loans</td>
<td></td>
<td>19,000.00</td>
<td></td>
</tr>
</tbody>
</table>

The screen shots below display how the XML data maps to the form for scenario 1.

![XML data mapping to form](image-url)
4b. Other New Mortgage Loans on the Property You are Buying or Refinancing

<table>
<thead>
<tr>
<th>Creditor Name</th>
<th>Lien Type</th>
<th>Monthly Payment</th>
<th>Loan Amount/Amount to be Drawn</th>
<th>Credit Limit (if applicable)</th>
<th>Undrawn Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HELOC 1</td>
<td>First Lien</td>
<td>$150</td>
<td>$15,000</td>
<td>$25,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>HELOC 2</td>
<td>First Lien</td>
<td>$75</td>
<td>$4,000</td>
<td>$12,000</td>
<td>$8,000</td>
</tr>
</tbody>
</table>

Total HELOC’s 1 & 2: $19,000

Instructions for Completing the Uniform Residential Loan Application

L4. Qualifying the Borrower – Minimum Required Funds or Cash Back

- Financed Mortgage Insurance (or Mortgage Insurance Equivalent) Amount – Enter the amount of private mortgage insurance or equivalent (FHA Upfront Mortgage Insurance Premium, VA Funding Fee, and USDA-RI Guarantee Fee) that will be included in the loan amount.
- Loan Amount - Enter the sum of the base loan amount plus the financed mortgage insurance in the right-hand column.

J. Other New Mortgage Loans on the Property

Enter the amount of any other new loans that will be obtained by the Borrower and secured by the property at the same time as the subject loan. (For example, if the Borrower is obtaining a new second mortgage in addition to the first mortgage (with the same or a different Lender), enter the amount of the new second mortgage here).

Note: The amount entered here should be the same as the sum of the amounts entered for Loan Amount/Amount to be Drawn in Section 4b. Other New Mortgage Loans on the Property You are Buying or Refinancing.
**Scenario 1 Calculations:**

Calculating the LTV: Loan Amount / Property value

Using the example data: 300,000 / 375,000 = 80%

DU Findings rounds up: 80%

Calculating Combined LTV: (Loan Amount + Subordinate Lien(s) Balance + HELOC Unpaid Balance) / Property Value

Using the example data: (300,000 + (15,000 + 4,000)) / 375,000 = 85.066%

DU Findings rounds up: 86%

Calculating HCLTV: (Loan Amount + Subordinate Lien(s) Balance + HELOC Credit Limit Amount) / Property Value

Using the example data: (300,000 + (25,000 + 12,000)) / 375,000 = 89.866%

DU Findings rounds up: 90%

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<table>
<thead>
<tr>
<th>Creditor Name</th>
<th>Lien Type</th>
<th>Monthly Payment</th>
<th>Loan Amount/ Amount to be Drawn</th>
<th>Credit Limit (if applicable)</th>
<th>Undrawn Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HELOC 1</td>
<td>First Lien</td>
<td>$150</td>
<td>$15,000</td>
<td>$25,000</td>
<td>$10,000</td>
</tr>
<tr>
<td></td>
<td>Subordinate Lien</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HELOC 2</td>
<td>First Lien</td>
<td>$75</td>
<td>$4,000</td>
<td>$12,000</td>
<td>$8,000</td>
</tr>
<tr>
<td></td>
<td>Subordinate Lien</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total HELOC’s 1 & 2**: $19,000

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**Instructions for Completing the Uniform Residential Loan Application**

**L4. Qualifying the Borrower – Minimum Required Funds or Cash Back**

- **Financed Mortgage Insurance (or Mortgage Insurance Equivalent) Amount** – Enter the amount of private mortgage insurance or equivalent (FHA Upfront Mortgage Insurance Premium, VA Funding Fee, and USDA-RD Guarantee Fee) that will be included in the loan amount.
- **Loan Amount** – Enter the sum of the base loan amount plus the financed mortgage insurance amount in the right-hand column.

**1. Other New Mortgage Loans on the Property**

Enter the amount of any other new loans that will be obtained by the Borrower and secured by the property at the same time as the subject loan. (For example, if the Borrower is obtaining a new second mortgage in addition to the first mortgage (with the same or a different Lender), enter the amount of the new second mortgage here).

**Note:** The amount entered here should be the same as the sum of the amounts entered for Loan Amount/Amount to be Drawn in Section L4. Other New Mortgage Loans on the Property You are Buying or Refinancing.
**Scenario 1 Calculations:**

Calculating the LTV: Loan Amount / Property value

Using the example data: 300,000 / 375,000 = 80%

DU Findings rounds up: 80%

Calculating Combined LTV: (Loan Amount + HELOC Balance Amounts) / Property Value

Using the example data: (300,000 + (15,000 + 4,000)) / 375,000 = 85.066%

DU Findings rounds up: 86%

Calculating HCLTV: (Loan Amount + HELOC Credit Limit Amounts) / Property Value

Using the example data: (300,000 + (25,000 + 12,000)) / 375,000 = 89.866%

DU Findings rounds up: 90%

**Scenario 2** – In this refinance transaction the Subject Property has an existing HELOC loan that is not being paid off. The existing HELOC has an unpaid balance of $3,000.00, a credit limit of $20,000.00 and an undrawn amount of $17,000.00.

<table>
<thead>
<tr>
<th>Existing HELOC Loan</th>
<th>Form Field Name</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>LiabilityUnpaidBalanceAmount (6.0021)</td>
<td>Unpaid Balance</td>
<td>3,000.00</td>
</tr>
<tr>
<td>HELOCMaximumBalanceAmount (6.0095)</td>
<td>Credit Limit</td>
<td>20,000.00</td>
</tr>
</tbody>
</table>
Below are screen shots displaying how the XML data maps to the URLA form for scenario 2.

3.4 XML >>
Scenario 2 Calculations:
Calculating the LTV: Loan Amount / Property value
Using the example data: 104,000 / 600,000 = 17.333%
DU Findings rounds up: 18%

Calculating Combined LTV: (Loan Amount + Subordinate Lien(s) Balance + HELOC Unpaid Balance) / Property Value
Using the example data: (104,000 + 3,000) / 600,000 = 17.833%
DU Findings rounds up: 18%

Calculating HCLTV: (Loan Amount + Subordinate Lien(s) Balance + HELOC Credit Limit Amount) / Property Value
Using the example data: (104,000 + 20,000) / 600,000 = 20.666%
DU Findings rounds up: 21%

Scenario 3 – In this refinance transaction the Subject Property has an existing HELOC loan that is being partially paid off. The existing HELOC has an unpaid balance of $15,000.00, a credit limit of $40,000.00 and an undrawn amount of $25,000.00. The Borrower will pay off $6,000 of unpaid balance prior to closing to reduce the unpaid balance to $9,000.

To reflect partial payoff on the account, two separate liability containers are created in the Submission File:
• LIABILITY_3.1
• LIABILITY_3.2

[Note: Labels may include decimals (LIABILITY_3.1, LIABILITY_3.2) provided each label is unique in the transaction.]
LIABILITY_3.1 has a LiabilityPayoffStatusIndicator = “true”, and it is structured to represent only the portion of the liability which is paid off.
Consequently, the LiabilityUnpaidBalanceAmount is set to $6,000 which is the amount to be paid off. The HELOCMaximumBalanceAmount is also set to $6,000.
LIABILITY_3.2 has a LiabilityPayoffStatusIndicator = "false", and it is structured to represent only the portion of the liability which will remain after the partial payoff.

Consequently, the LiabilityUnpaidBalanceAmount is set to $9,000 which is the amount remaining after the $6,000 payment. The HELOCMaximumBalanceAmount is set to the full $40,000 which remains in place.

**Scenario 3 Calculations:**

Calculating the LTV: Loan Amount / Property value

Using the example data: 230,000 / 350,000 = 65.71%
DU Findings rounds up: 66%

Calculating Combined LTV: (Loan Amount + Liability Unpaid Balance Amount) / Property Value

Using the example data: (230,000 + 9,000) / 350,000 = 68.29%
DU Findings rounds up: 69%

Calculating HCLTV: (Loan Amount + HELOC Credit Limit Amount) / Property Value

Using the example data: (230,000 + 40,000) / 350,000 = 77.14%
DU Findings rounds up: 78%

**Q12. NEW How to Report the Updated Changes to Self-Employment**

For self-employed borrowers with an ownership share of less than 25%, income should be collected as Gross Monthly Income from Form Field IDs 1b.10.1 through 1b.10.6 shown below in the orange-highlighted section.

![Form Field IDs 1b.10.1 through 1b.10.6](image-url)
For Current Income that is declared as ‘Self-Employment’, DU expects to receive Income Type data if the borrower’s ownership interest is less than 25%.

To reflect income as Gross Monthly Income (1b.10.1 through 1b.10.6 in the orange-highlighted section), use a separate CURRENT_INCOME_ITEM container for each IncomeType.

```
<CURRENT_INCOME>
  <CURRENT_INCOME_ITEMS>
    !--From Current Employer 1--> 
    <CURRENT_INCOME_ITEM SequenceNumber="1" xlink:label="CURRENT_INCOME_ITEM_1" >
      <CURRENT_INCOME_ITEM_DETAILS>
        <CurrentIncomeMonthlyTotalAmount>7000.00</CurrentIncomeMonthlyTotalAmount>
        <IncomeType>Bonus</IncomeType>
      </CURRENT_INCOME_ITEM_DETAILS>
    </CURRENT_INCOME_ITEM>

    <CURRENT_INCOME_ITEM SequenceNumber="2" xlink:label="CURRENT_INCOME_ITEM_2" >
      <CURRENT_INCOME_ITEM_DETAILS>
        <CurrentIncomeMonthlyTotalAmount>2000.00</CurrentIncomeMonthlyTotalAmount>
        <EmploymentIncomeIndicator>true</EmploymentIncomeIndicator>
        <IncomeType>Overtime</IncomeType>
      </CURRENT_INCOME_ITEM_DETAILS>
    </CURRENT_INCOME_ITEM>

    <CURRENT_INCOME_ITEM SequenceNumber="3" xlink:label="CURRENT_INCOME_ITEM_3" >
      <CURRENT_INCOME_ITEM_DETAILS>
        <CurrentIncomeMonthlyTotalAmount>800.00</CurrentIncomeMonthlyTotalAmount>
        <EmploymentIncomeIndicator>true</EmploymentIncomeIndicator>
        <IncomeType>Bonus</IncomeType>
      </CURRENT_INCOME_ITEM_DETAILS>
    </CURRENT_INCOME_ITEM>
  </CURRENT_INCOME_ITEMS>
</CURRENT_INCOME>
```
Suzi Builder owns less than 25% of the business that she declared for her self-employment.

```xml
<EMPLOYERS>
  <EMPLOYER SequenceNumber="1" xlink:label="EMPLOYER_1">
    <LEGAL_ENTITY>
      <LEGAL_ENTITY_DETAIL>
        <FullName>Barnaby's Home Improvement</FullName>
      </LEGAL_ENTITY_DETAIL>
    </LEGAL_ENTITY>
    <EMPLOYMENT>
      <EmploymentBorrowerSelfEmployedIndicator>true</EmploymentBorrowerSelfEmployedIndicator>
      <EmploymentClassificationType>Primary</EmploymentClassificationType>
      <EmploymentStartDate>1998-02-02</EmploymentStartDate>
      <EmploymentStatusType>Current</EmploymentStatusType>
      <OwnershipInterestType>LessThan25Percent</OwnershipInterestType>
      <SpecialBorrowerEmployerRelationshipIndicator>false</SpecialBorrowerEmployerRelationshipIndicator>
    </EMPLOYMENT>
  </EMPLOYER>
</EMPLOYERS>
```

It will be necessary to include an ArcRole for each CURRENT_INCOME_ITEM to associate it with the Employer.

In the Findings DU references W-2s and Paystubs to verify the income and the sources of income appear separately by IncomeType.

19 Suzi Builder's income, including bonus and/or overtime income must be supported by a paystub and W-2s that covers the most recent two-year period, or a fully completed standard Verification of Employment (1005). When a paystub is obtained it must be dated no earlier than 30 days prior to the initial loan application date, include all year-to-date earnings, and include sufficient information to appropriately calculate income. Otherwise, additional documentation must be obtained. If a standard Verification of Employment (1005) is obtained it must include all year-to-date earnings, and prior two years' earnings if IRS W-2 forms are not being provided. Refer to the Selling Guide for guidance on borrowers with less than a two-year history of receiving bonus income, or for any additional information on the verification of bonus income. Direct verifications provided by a third party employment verification vendor are acceptable if completed in accordance with the Selling Guide.
Q13. **NEW DU Data Points for Related Loan**

A Related Loan is new financing on the Subject Property, obtained concurrently with and subordinate to the Subject Loan to reduce the borrower’s cash to close. The Subordinate Loan data is located in Section 4b. of the URLA. There is a total of 15 DU data points plus an ArcRole which may be used in a loan application submission file to describe one or more Related Loans.

### 8 Data Points for the Loan Role Type of Related Loan

The data points for the Related Loan describe the basic structure of the loan such as lien priority, note amount, credit limit, and payment amount, as well as information on the source of the funding.

- LienPriorityType (Unique ID: 6.0223)
- InitialPrincipalAndInterestPaymentAmount (Unique ID: 6.0102)
- NoteAmount (Unique ID: 6.0050)
- HELOCBalanceAmount (Unique ID: 6.0220)
- HELOCIndicator (Unique ID: 6.0045)
- HELOCMaximumBalanceAmount (Unique ID: 6.0051)
- FundsSourceType (Unique ID: 16.0035)
- FundsSourceTypeOtherDescription (Unique ID: 16.0036)
Related Loan Structure in the Loan Application XML file

The example shown is based on Test Case DI-C05 with two additional Related Loans, bringing the total of new concurrent subordinate financing to four loans.

LOAN_RELATED_1 has a LienPriorityType= “SecondLien”. Only one RelatedLoan may be designated as “SecondLien”, and any additional RelatedLoans must have LienPriorityType= “Other” like LOAN_RELATED_2.

```
<LOAN LoanRoleType="RelatedLoan" xlink:label="LOANRELATED_1">
  <LOAN_DETAIL>
    <ELOCIndicator>false</ELOCIndicator>
    <LOAN_DETAIL>
      <ORIGINATION_FUNDS>
        <ORIGINATION_FUND>
          <FundsSourceType>LocalAgency</FundsSourceType>
          <ORIGINATION_FUND>
        <ORIGINATION_FUNDS>
      <PAYMENT>
        <PAYMENT_RULE>
          <InitPrincipalAndInterestPaymentAmount>40.00</InitPrincipalAndInterestPaymentAmount>
        </PAYMENT_RULE>
      <PAYMENT>
      </PAYMENT>
      <TERMS_OF_LOAN>
        <LienPriorityType>SecondLien</LienPriorityType>
        <NoteAmount>40000.00</NoteAmount>
      </TERMS_OF_LOAN>
    </LOAN>
```

4 Data Points in the Subject Loan Structure

These data points in the Subject Loan structure represent two separate summations of all Related Loans. In our example, we have four Related Loans as we will described in the subsequent slide.

<table>
<thead>
<tr>
<th>HOUSING_EXPENSE Container</th>
<th>LOAN_DETAIL Container</th>
</tr>
</thead>
<tbody>
<tr>
<td>HousingExpensePaymentAmount (Unique ID: 3.0038)</td>
<td>TotalSubordinateFinancingAmount (Unique ID: 7.0087)</td>
</tr>
<tr>
<td>HousingExpenseTimingType (Unique ID: 3.0036)</td>
<td></td>
</tr>
<tr>
<td>HousingExpenseType (Unique ID: 3.0037)</td>
<td></td>
</tr>
</tbody>
</table>

Aggregate the amount of InitialPrincipalAndInterestPaymentAmount for each RelatedLoan and send this sum as HousingExpensePaymentAmount where HousingExpenseTimingType= “Proposed” and HousingExpenseType= “OtherMortgageLoanPrincipalAndInterest”. This HousingExpensePaymentAmount is used by DU to calculate the...
Qualifying Ratios (Housing Expense and Debt-to-Income) in the DU Findings Report.

Calculate total subordinate financing for all Related Loans by aggregating NoteAmount (for fixed term loans) or HELOCBalanceAmount (for HELOC loans) and send this sum as TotalSubordinateFinancingAmount. This amount is included in the “Funds Required to Close” in the DU Findings Report.

3 Data Points in the Party Structure

A Party container with PartyRoleType= “NotePayTo” must be provided for each Related Loan. The container includes the FullName of the legal entity or individual providing the loan.
ArcRoles Connecting Each Related Loan to a Party Container

In the RELATIONSHIP container, an ArcRole (residential/LOAN_IsAssociatedWith_ROLE) must be sent for each Related Loan.

DU Findings

The aggregated monthly payment amounts for all subordinate loans are displayed in the DU Findings under the label “Second P&I” and the sum of the subordinate loan amounts is shown as “Amt. Subordinate Fin.”
Q14. **NEW** What Data Points shall be used for Income Limit Adjustments

DU is no longer using the `HUDIncomeLimitAdjustmentPercent` (Unique ID 13.0025) to overwrite the income limit for a HomeReady loan underwriting transaction. The above data point will be deprecated from the DU Spec in the next publication. DU customers should refer to the Selling Guide for instructions on what information is needed to determine eligibility when applying to a HomeReady loan. Fannie Mae has changed the income limit requirements for all HomeReady loans not to exceed 80% AMI for the property’s location.

Please refer to the Lender Letter LL-2019-06 and Selling Guide for more information.

Q15. **NEW** I’m entering a loan with a non-occupant co-borrower and the housing ratio calculation is inaccurate. Why is this happening and how do I fix it?

The borrower and non-occupant borrower (NOB) both need to be considered primary borrowers in order for the NOB’s housing expense to be taken into account in the housing-to-income (HTI) calculation (which is used in the risk assessment). When the borrowers are presented as borrower and co-borrower, DU makes the assumption that both borrowers share a housing expense. Therefore, the NOB’s housing expense will not be used in the HTI calculation.

**NOTE:** *When both borrowers are primary borrower, individual (not joint) credit reports are required.*

Q16. **NEW** How does Community Seconds Repayment Structure impact DU?

If the Community Seconds has deferred repayment for five years or more:

- The DU risk assessment is based on LTV, rather than the CLTV.
- The monthly payment for the Community Seconds does not need to be included in the borrower’s debt-to-income ratio.

The MISMO enumerated values for the `CommunitySecondsRepaymentType` do not identify how long a repayment is deferred (i.e., `DeferredFullyForgiven`, `DeferredNotFullyForgiven`, `NonDeferred`). The DU spec has an updated Implementation Note to clarify the enumerated values for `CommunitySecondsRepaymentType` (UID 13.0022):

- “Deferred Fully Forgiven” is for a repayment deferred for 5 or more years and the debt is forgiven
- “Deferred Not Fully Forgiven” is for a repayment deferred for 5 or more years and the debt is not forgiven
- “Non Deferred” is for a repayment that begins after closing

Fannie Mae has updated the DU User Interface (UI) to add the 5-year repayment for Community Seconds Repayment Structures based on the DU Spec `CommunitySecondsRepaymentType` definitions for each enumeration. See the example below.

Fannie Mae recommends your UI includes the 5-year repayment in your UI selections for Community Seconds Repayment Structures to prevent an incorrect repayment type selection.