Fannie Mae

Desktop Underwriter® (DU®) Early Assessment Reference Guide

This document provides information related to DU early assessment. While every effort has been made to ensure the reliability of the content, the terms of Fannie Mae's executed agreements with lenders and vendors should be adhered to in the event of discrepancies between information in this document and those agreements.

Contents

Overview 2
Features 3
Parameters 3
Requirements 4
Compatibility 4
External Communication Guidelines 4
Pricing 4
General Setup Guidance 4
Third-Party Provider Workflow Options 5
Testing 5
DU Messaging and Loan Delivery Edit 6
Workflow 7

Overview

Early assessment is a lender pre-qualification solution available in Desktop Underwriter® (DU®). Lenders can submit casefiles to DU using a single bureau soft pull credit file and optimized dataset and receive a conditional recommendation.

This provides lenders:

- A DU Findings report during their pre-qualification process with the conditional recommendation and key underwriting information, which lenders can use in their pre-qualification evaluations and to guide homebuyers on their options at the start of their homebuying process.
- The ability to use a soft credit pull which doesn't impact a borrower's credit score.
- Information earlier in the process, including the potential for value acceptance, HomeReady loan eligibility, positive rent payment history, as well as validation using DU validation service (if reports are submitted) on a conditional basis.
- The ease of using the same casefile ID through loan application and delivery, which may increase efficiencies throughout the loan process.

Note: DU Early Assessment does require use of *Trended Data* with the alternative to tri-merge hard credit report (e.g., single bureau, soft pull credit file).

To be eligible for delivery, the lender can remove the conditionality of the recommendation by re-submitting the existing early assessment casefile ID with a standard tri-merge credit report and full DU dataset.

Ensure familiarity with Fannie Mae *Selling Guide* policy B3-5.2-01, Requirements for Credit Reports. *Selling Guide* requirements must be met at the time of full application. Please review June Selling Guide Announcement SEL-2023-05.

Features

Key aspects of early assessment include:

Single bureau credit file

- Early assessment delivers a DU risk assessment without the need to request a standard tri-merge credit report.
- The lender can submit an early assessment casefile with a single bureau credit file and receive a conditional recommendation at the time of their pre-qualification of a borrower.
- *Note: The lender may also submit a multi-bureau credit file (dual or tri-bureau) and receive a conditional recommendation at the time of their pre-qualification.*
- To be eligible for delivery, lenders must re-submit the existing early assessment casefile ID with a standard tri-merge credit report to remove the conditionality of the DU recommendation.

Soft pull request

- In addition to the single bureau credit file, the lender may request a soft pull instead of a hard pull.
- At delivery, the credit report used for underwriting must generate an inquiry on future credit reports (i.e., hard pull request).
- Lenders should work with their credit information provider to ensure they meet all terms and conditions prior to requesting a soft-pull credit report.

Optimized dataset

- The lender can leverage the DU optimized dataset to reduce the number of datapoints entered at the time of their pre-qualification.
- At the time of loan application, re-submit the existing early assessment casefile ID with the full DU dataset.

Parameters

DU early assessment conditional recommendations are available for all **conventional mortgage** transactions, occupancy, and property types. Early assessment conditional recommendations are not available for government loans.

Loan Feature	Eligibility
Loan Purpose	Purchase, Limited Cash-out Refinance, Cash-out Refinance
Occupancy	Primary Residence, Second Home, Investment
LTV/ CLTV/ HCLTV	Maximum DU Eligibility
Property Type	All eligible property types
Origination Channel	Retail only. Unless Fannie Mae gives advanced written permission to include the wholesale origination channel. Early assessment is not available in Desktop Originator.

Requirements

- The lender's workflow must support:
  - The submission of a pre-qualification casefile to DU, and
  - The identification of early assessment casefiles in the lender's pipeline.
- The lender must:
  - Order credit from a Credit Information Provider that is approved for early assessment,
  - Enable soft credit reporting by modifying an existing credit account or creating a new one that meets DU technical requirements, and
  - Request soft credit files with trended data and a credit score.
- The lender must use the early assessment casefile ID through the lifecycle (i.e., pre-qualification through delivery).
- To be eligible for Limited Waiver and Enforcement Relief of Representations and Warranties for Mortgages Submitted to DU, the lender must re-submit the early assessment casefile ID with a standard tri-merge credit report and complete DU loan application. See Selling Guide Topic A2-2-04.
- The tri-merge credit report reference ID for the DU loan application must be distinct from the soft credit data file reference ID for the early assessment casefile.

Compatibility

When considering whether to use early assessment in DU, it's important to assess whether your business capabilities and processes are compatible with product features. Review the Lender Readiness Checklist for more details.

External Communication Guidelines

- External communications about DU early assessment are subject to any restrictions included in the *Selling Guide* and any agreements with Fannie Mae, including but not limited to the *DU Schedule.*
- For lenders that have received advanced written permission from Fannie Mae to include DU early assessment in their wholesale origination channel, all the above requirements apply to third-party originators.

Pricing

- When the status of the casefile is an early assessment (the casefile has not been re-submitted to DU with a standard tri-merge credit report), loan pricing is not available.
- Once the early assessment casefile is converted (the casefile is resubmitted with a standard tri-merge credit report), loan pricing will be made available.

General Setup Guidance

- To participate, lenders must enable soft credit reporting by either modifying an existing credit account or creating a separate credentialed soft credit account with a Credit Information Provider approved for early assessment. Contact your Credit Information Provider to confirm setup requirements.
- Once this is complete, the lender can request that early assessment functionality be activated in DU.
- The lender will need to request activation here and include the DU Institution ID.
- Upon receipt of the Lender Activation Request Form, Fannie Mae will contact your selected approved Credit Information Provider and confirm your credit account is set up.

- Once this information is confirmed, early assessment will be activated in DU. This will take approximately 5-7 business days. The lender will be notified via email.
- At that time, the lender must complete testing with the Credit Information Provider to confirm the credit account is properly set up and working as expected.

Third-Party Provider Workflow Options

Consider different workflow options to align with service provider offerings and your business needs.

Technology service providers (TSPs) may offer the following services:

Soft Credit Pull:

- Workflow optimization to obtain credit consent
- Determine number of bureaus and type of credit request (i.e.: soft/ hard pull) and implement a waterfall logic to operationalize efficiencies
- Support multiple credit accounts/credentials to streamline credit ordering process

Optimized Dataset:

- Submit a pre-qualification application with fewer data points to receive a conditional recommendation
- Utilize Default values and DU validation service vendor(s) for asset, income, and employment data

Credit Information Providers may offer the following services:

Ability to pull soft credit with trended data:

- Single, dual, or tri-bureau soft credit account, based on lender preference

Note: Work with your Credit Information Provider and POS/LOS vendor to configure soft credit report usage with trended data for DU early assessment. Ensure all Credit Information Provider terms and conditions are met before requesting a soft credit report.

Testing

Before using in production, the lender must test single and joint borrower functionality with an approved Credit Information Provider.

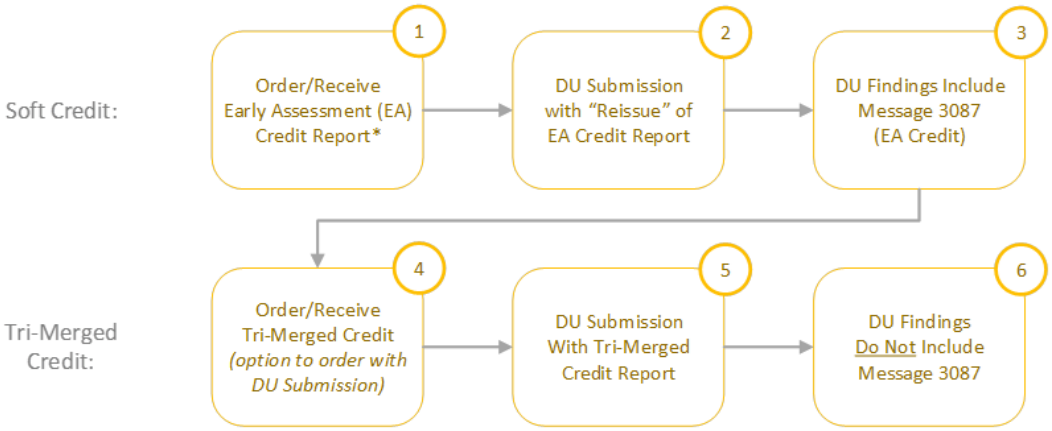
The objective is to confirm:

- Users can efficiently access the special purpose credit account for early assessment soft credit file(s).
- The DU early assessment submission is successful.
- The controls are working properly:
  - The Findings Report includes DU Message 3087 (see below).
  - DU Message 3087 is no longer present on the Findings Report when the casefile is resubmitted to DU with a standard tri-merge credit report.

Steps:

1. Request test cases from your Credit information Provider.
2. Use the credentials for the early assessment credit account to request new credit or import an existing early assessment credit report for the selected test case.
3. Submit the loan to DU for early assessment with the credit report.
4. Review the Findings Report to confirm Message 3087 is present.

5. Once confirmed, use the credentials for your non-early assessment credit account (standard credit account) to request new tri-merge credit or import an existing tri-merge credit report.
6. Retrieve the early assessment casefile ID and resubmit the test case with the standard tri-merge credit report.
7. Review the Findings Report to confirm Message 3087 is no longer present.



*Early Assessment Credit Report is a non-tri-merged Credit Report

In addition, the lender should confirm early assessment pre-qualification casefiles are appropriately routed and easily visible within the lender's workflow.

DU Messaging and Loan Delivery Edit

When a casefile is submitted for early assessment, DU will issue the following message:

Message ID	Name	Category	Severity	Message Text
3087	Single In PreApproval	Eligibility	Rating	This is an Early Assessment conditional recommendation because the casefile is underwritten using credit file data requested from soft inquiries (or from fewer than three credit reporting bureaus). To be eligible for delivery as a DU loan, the lender must request a three in-file merged credit report and re-submit the casefile to Desktop Underwriter. See Credit Report Requirements in Desktop Underwriter. B3-5.2-01, Requirements for Credit Reports.

Loan Delivery Edit

Availability	Edit ID	Severity	DU Message ID Association	Sort ID (SID)	Rule Condition
Active	D170	Fatal	3087	NA	This loan was underwritten as a conditional recommendation using a single in-file credit file and must be underwritten through DU using credit reports from the three credit reporting bureaus.

Workflow

DU Casefile Submission

Lenders can submit casefiles to DU for early assessment through an approved POS vendor, or through current LOS integration.

