

Desktop Underwriter/Desktop Originator Release Notes

DU Version 11.1 April Update

Mar. 1, 2023

Updated Mar. 24, 2023

During the **weekend of April 15, 2023**, Fannie Mae will update Desktop Underwriter® (DU®) Version 11.1, which will include the changes described below. The changes in this release will apply to DU Version 11.1 loan casefiles **submitted or resubmitted** on or after the weekend of April 15, 2023.

The changes in this release include the following:

- Valuation Modernization
- DU Validation Service Updates
- Updates to Align with the *Selling Guide*

Mar. 24, 2023: The date in the “Note” below in the Value Acceptance + Property Data section has been updated to April 16.

Valuation Modernization

Selling Guide Announcement SEL-2023-02 introduced new terms and options to establish a property’s market value. The following updates will be made to DU to support the changes specified in the announcement.

Value Acceptance

This term is now used in conjunction with the term “appraisal waiver” to better reflect the actual process of using data and technology to accept the lender-provided value. The DU appraisal waiver messages will be updated to reflect the term “value acceptance (appraisal waiver).”

Value Acceptance + Property Data

Value acceptance + property data is a new option that utilizes property data collection by a third party who conducts interior and exterior data collection on the subject property. When this option is used, an appraisal is not required. This option also requires submission of the data to Fannie Mae’s Property Data API and requires delivery of Special Feature Code 774.

When a loan casefile is eligible for this option, DU will issue a message stating that DU accepts the value submitted by the lender, and that the loan is eligible for value acceptance + property data contingent upon the submission of the property data to the Fannie Mae Property Data API (API).

Note: The DU messages regarding the value acceptance + property data option will only be issued on **new loan casefiles** created on or after April **16**, 2023

When the lender receives the message stating a loan is eligible for value acceptance + property data, the lender can order the property data collection from an approved vendor that has access to the API. The lender has the option to provide the vendor the DU casefile ID to submit to the API with the property data. When the vendor submits the property data through the API, they will receive a 32-character alphanumeric Property Data ID.

Upon resubmission DU will determine if the property data was submitted to the API by matching the subject property address with one of the following:

- The DU casefile ID provided when the property data was submitted to the API, or
- the Property Data ID returned by the API and submitted to DU in the loan application data.



When DU is able to determine the property data was submitted to the API, the DU message will no longer state it is contingent upon submission of the property data to the API, but will continue to state the requirements to deliver the loan to Fannie Mae.

Note: The Property Data ID can be found in the Optional Additional Data section of the Desktop Originator® (DO®)/DU user interface.

Completion Alternatives

A new policy allows alternative methods to the *Appraisal Update and/or Completion Report* (Form 1004D). The DU messages referencing a certificate of completion and/or Form 1004D will be updated to remind lenders of the alternatives.

DU Validation Service Updates

The DU validation service will be updated to prevent validation of income or assets when employment and income verification reports or asset verification reports contain data that does not align with the *Selling Guide*. Specifically, the changes include the following:

- The DU validation service will only consider data from income and asset verification reports that are reflected in U.S. dollars (USD). This change will only apply to **new loan casefiles** created on or after April 16, 2023.
- The DU validation service will not consider employment and income records from verification of employment and income reports when the reports indicate the consumer has an unresolved dispute on the accuracy of the employment or income data. This change will apply to **loan casefiles submitted or resubmitted** on or after the weekend of April 15, 2023.

Updates to Align with the *Selling Guide*

Borrower Contribution

Selling Guide Announcement SEL-2022-10 provided further clarification of the borrower contribution requirements based on the product (HomeReady® or standard transactions), source of the grant (lender-funded or standard), the subject property's number of units, and the LTV ratio. The DU messages specifying the minimum borrower contribution requirements will be updated to ensure the appropriate contribution requirement messages are issued.

HomeStyle® Energy

Selling Guide Announcement SEL-2022-10 expanded the list of exceptions to the home energy report and clarified that lenders are only required to verify, and retain documentation in the loan file, that an improvement is on the EPA ENERGY STAR-certified product list. The DU message reminding lenders of the HomeStyle Energy requirements will be updated to specify when an energy report is and is not required.

Homeownership Education and Counseling

Selling Guide Announcement SEL-2022-10 updated the requirements of the permanent loan file to include a copy of the *Supplemental Consumer Information Form* (Form 1103), which includes information about housing counseling and education. The DU homeownership education and counseling messages will be updated to clarify education and counseling options, as well as documentation requirements.

Special Feature Code Update

Lender Letter LL-2022-05 was updated on Feb. 1, 2023, and removed the requirement for delivery of Special Feature Code (SFC) 873. DU will continue to issue the message indicating when a first-time homebuyer case is eligible for an LLPA waiver, but will no longer issue SFC 873.



Cash-out Refinance Transactions

Selling Guide Announcement SEL-2023-01 implemented new eligibility requirements for cash-out refinance transactions to require that any existing first mortgage being paid off through the transaction be at least 12 months old as measured from the note date of the existing loan to the note date of the new loan. The DU message issued on all cash-out refinance transactions will be updated to remind lenders of these requirements.

COVID-19 Retirement

Lender Letter LL-2021-03 was updated on Feb. 15, 2023, and retired the remaining COVID-19 temporary documentation and eligibility requirements. The COVID-19 message issued by DU will now be retired.

Sweat Equity

Selling Guide Announcement SEL-2023-02 specified updated guidelines for HomeReady loans where sweat equity is being used. The DU messages issued when sweat equity is provided as an Other Credit (Line M. of Section L4 of the loan application) will be updated to support this policy change.

Large Deposits

DU will issue a new message on purchase transactions reminding lenders when large deposits need to be documented. This message will specify that the lender must document that any deposit that exceeds a specific dollar amount (50% of the total qualifying income) is from an acceptable source when depository assets are used to support the amount of funds required and reserves.

Note: *When assets are validated by the DU validation service, this new message will not be issued.*

Miscellaneous Message Text Changes

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

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.