

Desktop Underwriter/Desktop Originator Release Notes

DU Version 11.1 Nov. Update

Oct. 4, 2023

Updated Oct. 25, 2023

During the **weekend of Nov. 18, 2023**, Fannie Mae will update Desktop Underwriter® (DU®) Version 11.1, which will include the changes described below. Unless specified below, the changes in this release will apply to DU Version 11.1 loan casefiles **submitted or resubmitted** on or after the weekend of Nov. 18, 2023.

The changes in this release include the following:

- LTV Ratios
- Risk and Eligibility Assessment (**added Oct. 25, 2023**)
- HomeStyle® Energy
- Social Security Number Message Retirement
- Liability Payment includes Taxes and Insurance Indicator
- Updates to Align with the *Selling Guide*

LTV Ratios

To expand access to credit and provide support for affordable rental housing, the maximum allowable LTV, CLTV, and HCLTV ratios for two- to four-unit, principal residence, purchase and limited cash-out transactions will be updated to 95%. This change will not apply to high-balance mortgage loans and loans that are manually underwritten. The table below highlights the updated LTV ratios.

Standard Eligibility Requirements – Desktop Underwriter Version 11.1		
Excludes: High LTV Refinance and Manufactured Housing		
Transaction Type	Number of Units	Maximum LTV, CLTV, HCLTV
Principal Residence		
Purchase Limited Cash-Out Refinance	1 Unit	FRM: 97% ARM: 95%
	2 Units	FRM/ARM: 95% (currently 85%)
	3 – 4 Units	FRM/ARM: 95% (currently 75%)
HomeReady® Eligibility Requirements – Desktop Underwriter Version 11.1		
Excludes: High LTV Refinance and Manufactured Housing		
Principal Residence		
Purchase	1 Unit	FRM: 97%
Limited Cash-Out Refinance		ARM: 95%
Purchase	2 Units	FRM/ARM: 95% (currently 85%)
Limited Cash-Out Refinance	3 – 4 Units	FRM/ARM: 95% (currently 75%)
HomeStyle® Renovation Requirements – Desktop Underwriter Version 11.1		
Excludes: High LTV Refinance and Manufactured Housing		
Principal Residence		
Purchase Limited Cash-Out Refinance	1 Unit	FRM: 97% ARM: 95%
	2 Units	FRM/ARM: 95% (currently 85%)
	3-4 Units	FRM/ARM: 95% (currently 75%)



Note: *Loan Delivery and EarlyCheck™ will be updated Nov. 17, 2023, to support the higher LTV ratios.*

Risk and Eligibility Assessment (added to release notes Oct. 25, 2023)

As part of normal business operations and prudent risk management, we regularly review and adjust the DU risk assessment based on the latest market and loan performance data. These reviews include an evaluation of the risk factors evaluated by DU. With this release DU will no longer consider number of borrowers as a factor in the risk assessment.

This change supports our efforts to provide prudent and sustainable homeownership to credit worthy borrowers, including single-person households, in a safe and sound manner. In addition, this change aligns DU's risk assessment with the Enterprise Regulatory Capital Framework, which does not include the number of borrowers as a factor in determining capital allocation. We anticipate that this change may yield a slight increase in loan casefiles receiving an Approve/Eligible recommendation.

This change will only apply to DU Version 11.1 loan casefiles created on or after **Nov. 20, 2023**.

HomeStyle Energy

DU will now identify HomeStyle Energy loan casefiles using the "Mortgage loan will finance energy-related improvements" indicator when the loan is also a HomeStyle Renovation loan. This will allow lenders to include the amount of the energy improvements in Line B of Qualifying the Borrower, instead of requiring an amount to be provided in the "Energy improvements included in transaction" field.

Social Security Number Message Retirement

In 2011 the Social Security Administration changed the way Social Security numbers (SSNs) are issued by implementing a process known as "randomization." As a result, the DU message that stated that the SSN "has not been issued or was recently issued" was moved to an Observation message in 2019. Since more time has passed using randomization to issue SSNs, and more SSNs have been issued using randomization, this message will now be retired.

Note: *Though this specific DU message will no longer be issued, the lender remains responsible for the accuracy of the borrower SSN. Refer to section B2-2-01, General Borrower Eligibility Requirements of the Selling Guide for additional information.*

Liability Payment includes Taxes and Insurance Indicator

An indicator was added with the redesigned URLA to specify if the disclosed liability payment also includes the taxes and insurance for the property. This indicator is set using the "Total includes taxes and/or insurance" checkbox in the Mortgage Loans on Property section of the Real Estate section of the Desktop Originator® (DO®)/DU User Interface. When the indicator is provided as True, the Monthly Insurance, Taxes, Association Dues, etc. provided separately on the loan application will no longer be included in the total monthly expenses for the property.

Updates to Align with the Selling Guide

Limited Cash-Out Refinance Transactions

Selling Guide Announcement SEL-2023-06 revised the eligibility requirements for limited cash-out refinances to stipulate that at least one borrower on the new loan must be a current owner of the subject property (on title) at the time of the initial loan application. The message issued on all limited cash-out refinance transactions will be updated to remind lenders of this requirement, and to remind lenders that if the property is currently listed for sale, it must be taken off the market on or before the disbursement date of the new mortgage loan.



Gift Donors

Selling Guide Announcement SEL-2023-08 updated our policies on personal gifts and gifts of equity to allow the seller of the subject property to provide a gift if they are an acceptable donor and are not affiliated with another interested party to the transaction. The gift message issued by DU will be updated to remove the reference to interested parties and remind the lender to refer to the *Selling Guide* for additional information.

Trust Income

Selling Guide Announcement SEL-2023-08 updated our requirements related to trust income. The DU message issued when trust income is used will be updated to refer lenders to the *Selling Guide* to confirm how the income must be calculated and documented.

Value Acceptance + Property Data

Selling Guide Announcement SEL-2023-09 clarified that the Property Data Collection (PDC) must be completed and submitted to the Fannie Mae Property Data API (API) prior to the note date when exercising the value acceptance + property data option. The DU message issued when the loan is eligible for value acceptance + property data will be updated to provide the same clarification.

Lenders must resubmit the loan casefile to DU after the property data has been submitted to the API and receive the message stating that the PDC has been received on the DU Underwriting Findings report in order for the loan to be eligible for sale to Fannie Mae using the value acceptance + property data option.

Self-Employed Borrowers

Selling Guide Announcement SEL-2023-09 updated the DU policy that permits one year of personal and business tax returns for self-employed borrowers. New self-employed documentation messages supporting this policy change will be issued on DU Version 11.1 loan casefiles created on or after **Jan. 1, 2024**.

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.