Desktop Underwriter/Desktop Originator Release Notes

DU Version 12.1 September Update

July 29, 2026

During the **evening of Sept. 25, 2026**, Fannie Mae will implement an update to Desktop Underwriter® (DU®) Version 12.1, which will include the changes described below. Unless otherwise noted below, the changes in this release will apply to DU V. 12.1 loan casefiles submitted or resubmitted on or after the evening of Sept. 25, 2026.

The changes in this release include the following updates:

- Potential Red Flag Section
- Collateral Underwriter® (CU®) Eligibility Messages
- DU Validation Service
- Updates to Align with the *Selling Guide*
- DU Underwriting Findings Report Retirement

Potential Red Flag Section

The Potential Red Flag (PRF) section of the DU Underwriting Finding report will be updated with the following:

- Four of the messages currently appearing in the PRF section will be moved to other sections of the report. The excessive submission and potential casefile reuse messages will be moved to the Observation section, and the frozen credit messages will be moved to the Verification section.
- One of the messages currently appearing in the PRF section will remain but will be displayed in a new format.
- Two existing occupancy Verification messages will be moved back into the PRF section of the report.
- A new occupancy message will be added based on a combination of loan application and external data.
- Two new subject property messages will be added based on information returned by Collateral Underwriter.
- All PRF messages will be displayed in a list message specific to either occupancy or the subject property and will include a Message Identifier. Note that the PRF Message Identifier is specific to PRF messaging and is not a DU message ID.
- Each instance of a message shown will be factored into the Red Flag counter displayed on the PDF version of the report.

Below is an example of how the updated PRF section will be displayed, highlighting existing messages that will be shown in the PRF section in the new format, and new messages that will be added with this release.

Potential Red Flags

1. The following red flags related to occupancy have been identified. Msg 3969

Message Identifier	Message Text
DOM-01 (existing)	The occupancy on a previous submission was modified from investor to primary. Confirm the accuracy of the occupancy for this transaction.
DOM-02 (existing)	The subject property address does not match the borrower's current address. Because this loan casefile was submitted as a principal residence refinance transaction, obtain documentation to confirm the accuracy of this information and, if appropriate, make necessary corrections and resubmit the loan casefile to DU.
DOM-03 (existing)	The data submitted indicates the borrower(s) intent to occupy this property as a principal residence. However, according to our records, we have recently purchased at least one loan belonging to the borrower(s) that was recently originated and secured by a property that was identified as their principal residence. Obtain documentation that confirms the borrower(s) intent to occupy this property.
OCC-03 (new)	Based on external data, information on the loan application, and the borrower's history of managing rental properties, this loan has an elevated risk of an inaccurate occupancy type. The lender should document its review of occupancy information and any supporting information used to confirm the occupancy designation. If the primary occupancy was not confirmed, update the occupancy to investment and resubmit the loan casefile to DU.

2. The following red flags related to the subject property have been identified. Msg 3971

Message Identifier	Message Text
DCM-01 (new)	Collateral Underwriter has indicated a heightened risk of overvaluation on the appraisal. The lender should carefully review the appraisal for this transaction to ensure the value is supported.
DCM-02 (new)	Collateral Underwriter has indicated a heightened risk of Property Eligibility and/or Policy Compliance violations on the appraisal. The lender should carefully review the appraisal for this transaction to confirm the loan is eligible for sale to Fannie Mae.

Collateral Underwriter Eligibility Messages

The following new messages will be issued based on information returned by CU.

- When the subject property zip code is identified as one included in Lava Zone 1 or 2, lenders will need to confirm the accuracy of the lava zone designation or postal code to ensure eligibility.
- When the appraiser or supervisory appraiser associated with the appraisal used on the loan casefile is on the No Longer Accepted list, DU will issue an Ineligible recommendation, and a message will be issued specifying that a new appraisal would need to be obtained to proceed with the loan.
- When the appraisal indicates a subject property condition rating of C6, DU will issue an Ineligible recommendation as a loan on the property is not eligible for sale to Fannie Mae.

DU Validation Service

Unless otherwise stated, the changes listed below will apply to loan casefiles submitted or resubmitted on or after the weekend of **Sept. 26, 2026.**

Current Employment History for Fixed Base Income

Currently, DU requires that a borrower have at least 12 months of current employment to validate employment income.

We will update validation requirements for borrowers with fixed base income. To validate fixed base income, DU will require:

- At least 3 months of current employment, and
- At least 12 months of total employment history (current and prior employment combined).

DU will continue to require 12 months of current employment history for borrowers with variable base income, including borrowers who are paid an hourly or daily wage.

Employment Validation Close-By Date

When employment is validated, DU generates an employment close-by date indicating the date by which the loan must close to retain relief from representations and warranties on employment verification.

For loan casefiles created on or after **Sept. 26, 2026**, those that receive employment validation using a verification of employment report or a verification of income and employment report, DU will calculate the close-by date using business days instead of calendar days. The employment close-by date will be ten business days from the Report Date of the report.

Updates to Align with the *Selling Guide*

Principal Residence Exceptions

The *Selling Guide* describes conditions under which Fannie Mae considers a residence to be a principal residence even though the borrower will not be occupying the property. Two of those conditions are when parents or legal guardian want to provide housing for their handicapped or disabled adult child, or children want to provide housing for parents. Lenders will now be able to inform DU when one of these conditions will be used on a loan casefile.

The lender can instruct DU to consider the transaction a principal residence transaction when the casefile meets one of the above conditions by entering "PrincipalResidenceException" in the DU Policy Feature Description field in *Section 5. Declarations* of the loan application. In this case, DU will no longer issue an Ineligible recommendation when it appears no borrowers are occupying the property as their primary residence on a principal residence transaction.

When this exception is used, a new verification message will be issued specifying that the lender must confirm that the exception does apply.

Rental Income

Currently if rental income is provided on the subject property for a one-unit principal residence or second home transaction, DU will issue a message reminding the lender that subject rental income is not permitted on those transactions, but the eligibility of the loan casefile is not impacted. DU loan casefiles will now receive an Ineligible recommendation when subject rental income is provided on a one-unit principal residence or second home transaction.

> ***Note**: This does not apply when Accessory Dwelling Unit income is provided on a one-unit principal residence transaction.*

RefiNow

An Observation message will be added on RefiNow™ transactions specifying the loan number being refinanced with the transaction.

The project review message issued on RefiNow transactions will be updated to remind the lender to confirm the project and the units are in compliance with the requirements specified in the RefiNow Product Matrix.

Attachment Type

An Observation message will be added specifying the attachment type provided in the loan application data for cooperative properties and properties in a planned unit development as the information is needed in the delivery data provided when the loan is sold to Fannie Mae.

Miscellaneous Message Text Changes

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

DU Underwriting Findings Report Retirement

With the introduction of the new DU Underwriting Findings report PDF option announced in the New DU Findings Report Options release notes, it was stated that we would retire the enhanced HTML and enhanced PDF versions later this year. These versions of the report will be retired on **Nov. 30, 2026**.

For More Information

For more information about these Release Notes, lenders may contact their Single-Family Market Engagement 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.