

New enhancements help lenders qualify borrowers with no credit scores



With new enhancements in Desktop Underwriter® (DU®), Fannie Mae is helping lenders increase homeownership opportunities and simplify their underwriting process for loans where no borrower has a credit score. This includes:

Updating existing eligibility criteria for loans where no borrower has a credit score to align with standard eligibility criteria

- Now permitted: One- to four-unit properties (including manufactured homes) up to standard LTV, CLTV, and HCLTV ratios and up to the standard maximum allowable debt-to-income ratio of 50%.

Using borrower-permissioned bank statement data to enhance the DU risk assessment

- Through the use of a 12-month third-party asset verification report, DU will assess or consider a borrower's cash flow by reviewing transaction patterns, balance trends, and other observations over time in their checking and savings accounts and investment accounts.

Simplifying the underwriting process by providing an automated option for lenders to meet *Selling Guide* requirements to document nontraditional credit sources

- When an asset verification report is used by DU in the analysis of loans where no borrower has a credit score, lenders may use the report to satisfy the nontraditional credit source documentation requirements per the *Selling Guide*.*

**Lenders remain responsible for ensuring compliance with other documentation requirements applicable to them.*

Effective Dec. 1, 2022, a new **pricing directive** for first-time homebuyers may provide favorable pricing to these casefiles when the income is at or below applicable AMI limits. Help lenders by ensuring systems can support the pricing directive and enable casefiles that do not meet the criteria to follow standard pricing grids based on a credit score of less than 620.

Considerations

To streamline the process and enable more lenders to take advantage of the enhancements in DU for loans where no borrower has a credit score, consider:

- Providing lenders the ability to order asset verification reports from within their LOS/POS as early in the loan application process as possible.
- Auto-populating the asset verification report Reference ID for the DU submission.
- After a borrower's permission is obtained, enable lenders to automatically order the asset verification report within their LOS/POS.
- Avoiding business rules that preclude loans where no borrower has a credit score from being submitted to DU, including avoiding any filters/rules that identify a no-credit-score borrower as ineligible for a DU-underwritten loan.

For more information, contact your Digital Alliances manager.