



Desktop Underwriter/Desktop Originator Release Notes DU Version 10.2

January 30, 2018

During the **weekend of March 17, 2018**, Fannie Mae will implement Desktop Underwriter® (DU®) Version 10.2, which will include the changes described below.

The changes in this release will apply to new loan casefiles submitted to DU on or after the weekend of March 17, 2018. Loan casefiles created in DU Version 10.1 and resubmitted after the weekend of March 17 will continue to be underwritten through DU Version 10.1.

The changes in this release include updates to the following:

- DU Risk Assessment
- HomeStyle® Renovation Mortgage
- Property Inspection Waiver
- Condo Project Review Messaging
- Housing Goals Messages
- Updates to Align with the *Selling Guide*
- Retirement of DU Version 10.0

DU Risk Assessment

DU Version 10.2 will include an adjustment to the DU credit risk assessment that builds on the underwriting simplification we introduced last summer with DU Version 10.1.

Last year's update (DU Version 10.1) enabled loans with debt-to-income ratios above 45% (up to 50%) to rely on DU's comprehensive risk assessment, and removed specific rules that had previously set maximum loan-to-value ratio and minimum reserves requirements for those loans. After assessing the profile of loans delivered to us since the DU 10.1 changes went into effect, we are fine-tuning DU's risk assessment to limit risk layering.

This update supports our commitment to prudent risk management, helping lenders to better manage default risk while continuing to provide sustainable homeownership options to borrowers. There will be no change to the [risk factors](#) evaluated by DU.

DU Version 10.2 will also include the use of the Experian trended credit data received in the credit report as part of the credit risk assessment. The DU risk assessment will now include trended credit data from Equifax, Experian, and TransUnion.

HomeStyle Renovation Mortgage

Due to increased interest in renovation financing, the following enhancements will be made to the HomeStyle Renovation mortgage eligibility requirements with DU Version 10.2:

- The maximum allowable LTV, CLTV, and HCTLV ratios will be increased to 97% for 1-unit, principal residence, purchase and limited cash-out refinance transactions. The requirements that at least one borrower be a first-time home buyer on purchase transactions, and that the existing loan be Fannie Mae-owned on limited cash-out refinance transactions, will continue to apply.



- The limit on eligible renovation funds will be increased to 75% of the lesser of the purchase price plus renovation costs, or the as-completed appraised value for purchase transactions; and 75% of the “as-completed” appraised value for refinance transactions.
- Manufactured housing will be eligible with HomeStyle Renovation, with the eligible renovation funds capped at the lesser of \$50,000 or 50% of the “as-completed” appraised value.

NOTE: *The February Selling Guide update will provide further details on the enhancements being made to the HomeStyle Renovation mortgage, as well as additional restrictions that will be applied to manufactured housing HomeStyle Renovation transactions. (These additional details pertain to aspects of the product that are not in DU.)*

Property Inspection Waiver

The following updates will be made to the Property Inspection Waiver (PIW) messaging issued by DU.

Properties with a Recent Appraisal

DU will not offer a PIW when a recent appraisal has been uploaded to the Uniform Collateral Data Portal (UCDP) from any lender. DU Version 10.2 will issue a message to inform the lender when the loan casefile is not eligible for a PIW offer because a recent appraisal with a matching property address was submitted to UCDP.

PIW on Investment Properties

A PIW offer will no longer be issued on investment property loan casefiles when the borrower is using subject rental income to qualify. In order for a PIW offer to be issued on an investment property loan casefile, the *negative* subject net cash flow entered on the DU loan application must be at least the amount of the PITIA for the subject property.

Condo Project Review Messaging

As specified in *Selling Guide* B4-2.1-01, General Information on Project Standards, the project eligibility review is waived for all limited cash-out refinance transactions on Fannie Mae-owned loans with an LTV ratio of 80% or less. DU will suppress the existing project review messages and issue a new project eligibility message on these loans. The new message will indicate that, based on the Owner of Existing Mortgage field on the online loan application, the existing loan is Fannie Mae-owned and that the project eligibility review is waived if the lender can confirm that the project has the required project-related property and flood insurance coverage, and the project is not a condo hotel or motel, houseboat project, or timeshare or segmented ownership project.

Housing Goals Messages

Five new Observation messages based on the criteria below will be added to DU informing lenders if a loan may be eligible towards one of Fannie Mae’s housing goals. The messages will be issued using information associated to the borrower’s income, the transaction, and the subject property after the address is processed through geocoding logic.

Housing Goal	Criteria for Goal
Low-Income Purchase Goal	Owner-occupied, purchase, conventional mortgages where total qualifying income is equal to or less than 80% of AMI where the property is located.
Very Low-Income Purchase Goal	Owner-occupied, purchase, conventional mortgages where total qualifying income is equal to or less than 50% of AMI where the property is located.
Low-Income Areas Purchase Goal	Owner-occupied, purchase, conventional mortgages on properties located in a low-income area census tract, or a minority census tract or a designated disaster area census tract where the total qualifying income is equal to or less than 100% of AMI.



Housing Goal	Criteria for Goal
Low-Income Areas Sub-goal	Owner-occupied, purchase, conventional mortgage with properties located in a low-income area census tract, or a high-minority census tract where the total qualifying income is equal to or less than 100% of the AMI.
Low-Income Refinancing Goal	Owner-occupied, refinance, conventional mortgages where the total qualifying income is equal to or less than 80% of AMI where the property is located.

Updates to Align with the *Selling Guide*

Field Review Requirement

In the January *Selling Guide* update we removed the requirement for a *One-Unit Residential Appraisal Field Review Report* (Form 2000) or a *Two- to Four-Unit Residential Appraisal Field Review Report* (Form 2000A), for properties valued at \$1,000,000 or more when the LTV, CLTV, or HCLTV ratio is greater than 75%. The Field Review messages will be removed with DU Version 10.2.

Federal Income Tax Repayment Plans

In the January *Selling Guide* update we also outlined conditions when an IRS tax repayment plan for delinquent federal income tax payments may be included in the DTI ratio instead of requiring the lien to be paid in full prior to or at closing. DU Version 10.2 will include the following to support this policy update:

- The message issued when a tax lien is found on the borrower's credit report will be updated to refer the lender to the *Selling Guide* to determine eligibility to include the payment due under a federal income tax installment agreement in the DTI ratio instead of requiring payment in full.
- A new DU message will be issued when a borrower answers Yes to Declaration f. on the loan application (*Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee?*). This message will inform the lender that the borrower declared a delinquency or default on a Federal debt or financial obligation, and will refer the lender to the *Selling Guide* to determine eligibility to include the payment due under a federal income tax installment agreement in the DTI ratio instead of requiring payment in full.

Miscellaneous Message Text Changes

Various DU messages will be updated to provide clarity and consistency with the *Selling Guide*.

Retirement of DU Version 10.0

With the release of DU Version 10.2, DU Version 10.0 will be retired. Therefore, effective the weekend of March 17, 2018, customers will no longer be able to resubmit loan casefiles to DU Version 10.0. Customers will continue to be able to view online loan applications and DU Underwriting Findings reports that were created under DU Version 10.0. To obtain an updated underwriting recommendation after the weekend of March 17, customers must create a new loan casefile and submit it to DU.

NOTE: *DU Version 10.0 loan casefiles would have been created prior to July 29, 2017; therefore those loan casefiles would have been underwritten at least eight months prior to the retirement of DU Version 10.0.*

For More Information

For more information about these Release Notes, lenders may contact their Fannie Mae customer delivery 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.