MOUNTAIN WEST FINANCIAL, INC.

WHOLESALE BULLETIN
IMPORTANT INFORMATION: PLEASE READ IMMEDIATELY

Guidelines	Bolt Training	Wholesale Website	Previous Bulletins

19W-104

Attention: AEs, Business Development Managers & Mortgage Brokers   **December 5, 2019**

Please take a moment to read the important information contained in this bulletin.

Included in this Bulletin: Fannie Mae DU/DO Release Notes December 2019

During the weekend of December 7, 2019, Fannie Mae will implement an update to Desktop Underwriter Version 10.3.

Homeownership Education Requirements

Homeownership Education requirements were updated to require at least one borrower to complete the homebuyer education for the following transactions:
- If all borrowers on the loan are relying solely on nontraditional credit to qualify, regardless of the loan product or whether the borrowers are first time homebuyer (no change to current requirement),
- HomeReady purchase transactions when all occupying borrowers are first time homebuyers, regardless of the LTV ratio, or,
- Purchase transactions with LTV/CLTV or HCLTV ratios greater than 95% when all borrowers are first time homebuyers.

DU will support this policy update and issue the appropriate homebuyer education messages on the transactions noted above.

Social Security Number Verification Message

In 2011 the Social Security Administration (SSA) 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" was updated to state that the SSN "either has not been issued or was recently issued." As more time has passed using randomization to issue SSNs and more SSNs have been issued using randomization, the frequency of lenders seeing this DU message has increased.

The SSN message will be updated to no longer require the lender to directly verify the borrower SSN with the SSA, and the message will be moved from the Verification section of the DU

Underwriting Findings report to the Observations section.

Note: Though the DU message will no longer require the lender to verify the borrower SSN directly with the SSA, the lender remains responsible for the accuracy of the borrower SSN.

Account Number Display

DU Underwriting Finding messages that display the account number associated to debts provided on the credit report will be updated to only display a subset of the last digits associated with the actual account number.   Leasing asterisks will replace characters that will not be displayed.   This will help in the identification of the account while protecting sensitive information.

Updates to Align with the Selling Guide

Use of IRS Form 4506-T
In Selling Guide Announcement SEL 2019-06 Fannie removed the requirement for a signed IRS Form 4506-T for any borrower whose income is not being used to qualify for the loan.   The 4506-T message issued by DU will be updated to align with this change.

Employment Offers and Contracts
Selling Guide Announcement 2019-08 clarified policies that allow the lender to underwrite a loan using an employment offer or contract in order to remove complexity related to delays in the timing of payroll documentation from the employer.   The DU message issued when it appears that the borrower's employment has not yet begun will be updated to reflect this clarification.

Rental Income Policy
Selling Guide Announcement SEL 2019-08 added requirements regarding the use of rental income when qualifying for a new loan.   The verification issued for subject property rental income will be updated to state that rental income may not be provided on the DU loan application and used in qualifying if the borrower does not own a principal residence or have a primary housing expense.

Note: This change will only apply to new loan casefiles created on or after the weekend of December 7, 2019.

Alimony Obligations
Selling Guide Announcement SEL 2019-08 specified that when the lender is treating an alimony obligation as a reduction to income, in lieu of including it as a monthly debt, the lender must enter the obligation as a negative Alimony/Child Support under Other Monthly Income. The DU message issued when alimony income is entered on the loan application as a positive or negative income amount will be updated to specify the verification of both alimony income or an alimony obligation.

The message issued when alimony, child support, or separate maintenance is entered as a liability will also be updated. This message will be issued regardless of the number of payments remaining and will instruct the lender to confirm the payment and the number of months remaining using the divorce decree, separation agreement, or any other written legal agreement.

Retirement of Credit Report Comparison Messages
There are DU messages issued based on information provided in the credit report date associated to the tri merged credit report. After reviewing these messages for accuracy based on the reporting

of the date in the single in file credit reports, it was determined that certain messages can be retired. The message issued when a credit report account has been identified as possibly belonging to a non-applicant, and the message issued when it appears that not all debts on the credit report are disclosed on the loan application will no longer be issued after the weekend of December 7, 2019.

Note: Lenders remain responsible for reviewing the credit report to confirm that the data that DU evaluated with respect to the borrower's credit history was accurate and complete.

Miscellaneous Message Text Changes

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

DU Validation Service Enhancements
The logic used in the DU validation service to validate bonus, overtime, and commission income using a Verification of Employment and Income report will be updated.   This update will not impact DU validation service messages and has not Selling Guide policy impact.

Note: This revised logic will only apply to new loan casefiles created on or after January 1, 2020.

Author: Underwriting