

WHOLESALE BULLETIN

IMPORTANT INFORMATION: PLEASE READ IMMEDIATELY

[Guidelines](#)

[Bolt Training](#)

[Wholesale Website](#)

[Previous Bulletins](#)

18W-106

Attention: Business Development Managers & Mortgage Brokers **November 30, 2018**

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

Included in this Bulletin: Fannie Mae DU Release Notes DU Version 10.3 – December 2018

During the weekend of December 8, 2018, Fannie Mae will implement DU Version 10.3 which will apply to new loan casefiles submitted to DU on or after the weekend of December 8, 2018. Loan casefiles created in DU Version 10.2 and resubmitted after the weekend of December 8 will continue to be underwritten through DU Version 10.2.

DU Risk Assessment Update

DU Version 10.3 will include adjustments to the DU credit risk assessment to account for 2018 market conditions (rising interest rates, waning refinances, and higher loan to value lending).

DU 10.3 will:

- Continue to analyze each loan casefile using variables that have been shown to be predictive of mortgage delinquency, and
- Address market expansion into loans with multiple high risk factors with more effective management of risk layering.

DU 10.3 is intended to help Fannie Mae users effectively serve their borrowers in a manner that is reflective of current market realities. **Fannie Mae anticipates DU 10.3 to yield a slight reduction in loan casefiles receiving an Approve/Eligible recommendation, with the most noticeable reduction for loans with multiple high risk factors.**

Debt to Income Ratio

Cash out refinance transactions underwritten with DU Version 10.3 for borrowers with a debt to income ratio exceeding 45% must have at least six months of reserves. Cash out proceeds cannot be used for reserves.

Loans for a Borrower without Traditional Credit

DU will continue to look for the presence of a credit score to determine if a borrower has traditional credit, and it will also ensure the borrower has at least one credit report account that is not a medical tradeline (medical tradelines are not used in the DU risk assessment).

When a loan casefile is submitted to DU for a borrower with a credit score, but only medical tradelines are reported on the credit, the loan casefile will receive an Out of Scope recommendation.

Disaster Impacted Areas

A new message will be issued on loan casefiles for properties located in disaster impacted areas. If the loan casefile received an appraisal waiver offer prior to the disaster, and upon resubmission to DU continues to meet all other appraisal waiver eligibility requirements, DU will continue to offer the appraisal waiver and issue a new message.

This message will indicate that the lender may accept the appraisal waiver offer but must:

- Take prudent and reasonable actions to determine if the condition of the property has been materially impacted by the disaster, and
- Comply with the property eligibility that pertain to properties affected by a disaster in the Fannie Mae Selling Guide.

Properties Valued at \$1,000,000 or more

Appraisal waivers will not be offered on refinance transactions when the estimated value of the property (as provided to DU) is \$1,000,000 or more.

Note: DU will apply this change only to loan casefiles created on or after the weekend of December 8. Resubmissions of existing refinance loan casefiles ran under previous DU Versions, that received the appraisal waiver will not be impacted by the change and lenders can continue to exercise the appraisal waiver.

Retirement of DU Version 10.1

With the release of DU Version 10.3 DU Version 10.1 will be retired. Effective the weekend of December 8, 2018, resubmissions of loan casefiles prior to DU Version 10.1 will no longer be allowed. Users will be able to view online loan applications and DU Underwriting Findings reports that were created under DU Version 10.1. To obtain an updated underwriting recommendation after the weekend of December 8, a new loan casefile must be created and submitted through DU.

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