



# WHOLESALE BULLETIN

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## 21W-069

Attention: Valued Broker Partners

September 16, 2021

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

**Included in this Bulletin: Desktop Underwriter/Desktop Originator Release Notes. DU Version 11.0 Sept. Update**

During the weekend of Sept. 18, 2021, Fannie Mae will implement an update to Desktop Underwriter® (DU®) Version 11.0. The changes in this release will apply to DU Version 11.0 loan casefiles submitted or resubmitted on or after the weekend of Sept. 18, 2021. The changes in this release are summarized below:

### **Positive Rent Payment History Added to DU Risk Assessment**

DU will now consider a borrower's positive rent payment history in the credit risk assessment. When the borrower is currently paying rent of \$300 or more, a 12-month Verification of Asset (VOA) report is obtained by the lender, and other criteria are met, DU will attempt to identify recurring rent payment transactions within the VOA report for use in the credit risk assessment. If DU is able to identify a rent payment history pattern in the borrower's bank account data, it will use the rent payment history to positively supplement the credit risk assessment.

#### **-DU rent payment messages**

DU will issue specific messages when:

- rent payment history is used; or
- an asset report is obtained, but not used, and why it was not used; or
- an asset report was not obtained but the use of a report with rent payment history could positively impact the recommendation.

### **Asset validation using the VOA report**

When a 12-month VOA report is obtained, the DU validation service will also use the report to attempt to validate the borrower's assets.

- Lenders not currently using the DU validation service who order the 12-month VOA to obtain rent payment history may also begin seeing messages pertaining to DU's validation of assets.
- Lenders currently using the DU validation service who order a 12-month or full transaction history VOA will begin seeing loan casefiles underwritten using the borrower's rent payment history in the credit risk assessment when meeting the requirements specified above.
- Lenders are only required to review the most recent 60 days of account history in the asset report.

### **Credit Score Eligibility in DU**

For loan casefiles with more than one borrower, DU will now use an average median credit score as follows when determining if a loan casefile meets the minimum credit score requirement of 620:

- First, DU will determine each borrower's applicable credit score (middle of the three scores received, or the lower of the two when only two scores were received).
- Second, DU will average the applicable credit scores for all of the borrowers on the loan casefile to determine if the 620-credit score requirement is met.

*Note: This method will not result in a credit score lower than the representative credit score. The average median credit score will either be:*

- *the same as the representative credit score for loans with one borrower, or*
- *the same or higher than the representative credit score for loans with multiple borrowers.*

*DU's average median credit score will only be used in the eligibility assessment for non-RefiNow loans. The representative credit score will continue to be used for pricing, any applicable mortgage insurance requirements, and will need to be provided at loan delivery.*

### **Existing loan mortgage insurance information message**

The message issued specifying the mortgage insurance (MI) provider that currently has coverage in place on the existing Fannie Mae loan will be updated to also include the MI certificate number.

### **DU Eligibility Assessment Update**

DU is updating the way eligibility is messaged to clarify the difference between meeting Fannie Mae's credit risk standards and loan eligibility limitations based on our acquisition preferences and constraints. DU will be updating the eligibility messaging to clarify that loans may receive an ineligible recommendation if the loan is outside their current acquisition parameters.

For loan casefiles that receive an ineligible recommendation when a combination of product features and risk factors are present, and the loan casefile does not meet their affordable housing mission (previously referenced as "multiple high-risk factors"), DU will provide additional details regarding the factors that contributed to the ineligible recommendation.

### **DU Validation Service Update for COVID-19 Policy Overlay Removal**

As announced in Lender Letter LL-2021-03, several temporary policies put in place in response to COVID-19 are being retired. The following updates will be made to the DU

validation service for loan casefiles submitted or resubmitted on or after the weekend of Sept. 18, 2021:

- Employment validation is being reinstated.
- Vendor reports used to validate income (base, bonus, overtime, commission) and assets will follow standard age of documentation requirements, i.e., may not be more than 4 months old on the closing date. The DU messages will be updated to provide the “Close by Date” in alignment with these changes.
- The value of market-based assets (specifically investment accounts such as stocks, mutual funds, and retirement funds) will now be considered when validating assets.

### **Support of the Updated Uniform Residential Loan Application**

The following changes will be made to support the updates made to the loan application data in the DU Specification MISMO V3.4 (DU Spec) version 1.8.2 that was published on June 29, 2021.

#### **New credit types**

The following new credit types will be included in the interested party contribution messaging issued by DU.

- Builder Developer
- Real Estate Agent
- Employer Affiliate
- Lender Affiliate
- Other Interested Party

A verification message will be issued for these new credit types reminding lenders to verify that the minimum borrower contribution is made for the transaction and that the contributions by others do not exceed the limits permitted in the *Selling Guide*.

#### **Self-employment income**

DU will now use the Gross Monthly Income (base, bonus, overtime, etc.) disclosed on the loan application for a self-employed borrower when the ownership share is less than 25% when calculating total income. Monthly Income (or Loss) should only be used for self-employed borrowers with ownership share of 25% or more.

#### **New energy message**

When the loan application indicates that the “Mortgage loan will finance energy-related improvements,” and an energy improvement amount is not provided, DU will issue a message to remind lenders that if the transaction is a HomeStyle® Energy loan the dollar amount of the energy improvements must be provided.

#### **Source of funds messages**

DU will now issue a variety of messages reminding the lender of important information regarding the sources of grants, gifts, and subordinate financing.

#### **Real estate information**

DU applies the Multiple Financed Properties Policy guidelines specified in the *Selling Guide* to second home and investment property loan casefiles. As commercial real estate, multifamily properties, vacant lots, and farms are not included in the properties subject to the limitations in the policy, additional information on the borrower's real estate properties is needed to apply the guidelines correctly. Lenders will now be able to provide this additional information.

In the Property Information section, after providing the Intended Occupancy for the specific real estate property, the lender can now use the Other Description field to enter the appropriate description prior to submitting the loan casefile. The lender would provide "Commercial," "Multifamily," "Land," or "Farm" in the Other Description field, as applicable. When this additional information is provided, DU will use this information when applying the eligibility and reserve requirements associated to the multiple financed properties policy.

### **FIPS Code Verification Message**

A new message will be issued by DU when the lender provides a FIPS code on the loan application. The message will specify the FIPS code provided by the lender, as well as the county that was derived from the provided code. As the FIPS code is used to determine the AMI to be applied to the loan casefile, the message will also instruct the lender to document where the subject property is located in the specified census tract or county.

### **Updates to Align with the *Selling Guide***

#### **-Depository asset requirements**

For limited cash-out and cash-out refinance transactions, lenders may use the most recent one-month period of account activity to document bank statements or investment portfolio statements. The depository asset message issued by DU will be updated to only require a bank statement covering a one-month period on refinance transactions.

#### **-Miscellaneous Message Text Changes**

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

If you have any questions, contact your local Account Executive, Production Coordinator, Regional Vice President, or Brian Daily, SVP Wholesale: [Brian.Daily@mwfinc.com](mailto:Brian.Daily@mwfinc.com), 909-255-8332.

Author: Underwriting/BH