



From the Desk of Carlos Perez
Chief Credit Officer for Single Family

May 30, 2017

Executive Overview of Changes to DU and *Selling Guide* Updates

We are introducing upcoming changes to Desktop Underwriter® (DU®), in addition to the monthly *Selling Guide* update, so I'm expanding the scope of this summary to provide both updates in one document.

DU Version 10.1

Version 10.1 will provide simpler and more certain underwriting guidelines that will be implemented the weekend of July 29. The powerful, comprehensive DU risk assessment will enable an adjusted maximum DTI ratio. Under the adjustment, DU will consider applications with a maximum DTI of 50%. To give lenders a simpler process, we will no longer require certain additional compensating factors to support a DTI ratio above 45%. Relying on the certainty of the DU risk assessment that considers a broad range of loan characteristics and borrower credit factors allows a slightly increased maximum DTI ratio, expanding access to credit for creditworthy borrowers in a responsible manner.

Lenders and borrowers will also benefit from policy simplifications such as: maximum LTV ratios for ARMs aligned with those for fixed-rate mortgages, up to 95%; one year tax return documentation with DU underwriting for many self-employed borrowers; and a simplified approach to disputed tradelines in DU.

For details, review the [DU Release Notes](#).

May *Selling Guide* Update

In our May *Selling Guide* update, we continue our efforts to simplify the way you do business and create more efficient processes. Below is a summary of our *Selling Guide* updates:

- **Clarification of our eNotarization requirements.** Many lenders use electronic documents to expedite the origination, closing, and servicing processes. Fannie Mae accepts the delivery and servicing of mortgage loans that have been electronically notarized (either in person or remotely through real-time communication) when certain requirements are met.
- **Additional mortgage documentation options.** We've updated our policy to allow copies of recorded mortgage documents when they're obtained from a recorder's office. However, we require original documentation if an unrecorded document changes the terms of a mortgage loan.
- **ARM pass-through rate adjustments.** Instead of committing ARMs using the net margin, lenders will now commit the gross mortgage margin on the security instrument. This change, which applies to new ARM commitments made on or after September 1, 2017, enhances the whole loan execution process and better aligns with ARM MBS.
- **Over-delivery limits.** We're simplifying the over-delivery limit on whole loan commitments to require that lenders not exceed 25% of the original commitment amount.
- **Cash back pair-off eligibility.** Lenders will have more flexibility for whole loan cash back pair-offs. Effective June 12, 2017, commitments will be eligible for cash back pair-offs even if the quote for the pair-off is requested after the expiration date of the original commitment and/or if the lender previously accepted an over-delivery offer.

See [Announcement SEL-2017-05](#) for details.



Thank you for your continued support and feedback as we work to bring simplicity and efficiency to your business processes. I look forward to hearing from you and working with you in the future.

A handwritten signature in black ink that reads "Carlos Perez".

Carlos Perez