

Desktop Originator/Desktop Underwriter Release Notes DU Version 9.2 August Update

June 19, 2015

Updated July 28, 2015

During the **weekend of August 15, 2015**, Fannie Mae will update Desktop Underwriter® (DU®) Version 9.2 with the changes described below.

The changes included in this release will apply to DU Version 9.2 loan casefiles submitted or resubmitted to DU on or after the weekend of August 15, 2015.

The changes in this release include:

- Affordable LTV Ratio Determination
- Housing Finance Agency Message Updates
- 2015 Area Median Incomes
- Data Entry Validation Update
- Updates to Align with the *Selling Guide*

July 28, 2015: The following changes are being made to these Release Notes:

The *Minimum amortization rule* section on page 3 of these release notes has been removed. At this time, DU will not apply a minimum amortization term of 10 years (120 months) for fixed-rate mortgage loan casefiles.

The *Closing Disclosure references* section on page 3 has been updated to reflect the new effective date of the Closing Disclosure form.

Affordable LTV Ratio Determination

There are three affordable lending product options on which Fannie Mae allows the LTV ratio determination to be based solely on the appraised value for purchase transactions:

- Community Land Trusts (*Selling Guide* section B5-5.1-04, Community Land Trusts);
- Loans with Resale Restrictions (*Selling Guide* section B5-5.3-02, Loans with Resale Restrictions: Loan and Borrower Eligibility); and
- Community Seconds® with a Subsidized Sales Price (*Selling Guide* section B5-5.1-02, Community Seconds Loan Eligibility).

Lenders will now be able to inform DU that the borrower on the loan casefile is utilizing one of these options and will be underwritten using the LTV based solely on the appraised value by entering "Affordable LTV" in the Product Description field in the Additional Data section of the online loan application. When this indication is made, DU will determine the LTV, CLTV, and HCLTV ratios solely on the appraised value for purchase transactions, and not the lesser of the sales price or the appraised value.

DU will then issue the following message that specifies what lenders need to confirm when indicating that the borrower will be using one of the affordable lending options specified above.

The loan application indicates the borrower is utilizing a product or obtaining a mortgage on a property eligible to use the Affordable LTV feature in DU. The lender must document that the borrower is obtaining a loan on a leasehold owned by a community land trust, a loan on a property with resale restrictions, or a

Community Seconds loan with a subsidized sale price; and that all ground leases, deed restrictions, or Community Seconds liens terminate (or do not restrict the sale of the property) on foreclosure or deed-in-lieu of foreclosure. The lender must also ensure the loan meets all the requirements related to mortgage loans on a community land trust, a property with resale restrictions, or a Community Seconds loan with a subsidized sales price, as specified in the Fannie Mae Selling Guide (including property type, amortization type, and loan purpose). Since the LTV was based solely on the appraised value, the lender must ensure an accurate appraised value was provided to DU. Any associated special feature codes (054, 118, or 630) must also be provided when the loan is delivered to Fannie Mae.

When the indication is used on a second home or investment property, DU will return an Ineligible recommendation because the affordable lending options are only eligible on principal residence transactions. Although DU will apply the occupancy guideline, as the DU message states, lenders must ensure the loan meets all the requirements related to mortgage loans on a community land trust, a property with resale restrictions, or a Community Seconds loan with a subsidized sales price, as specified in the Fannie Mae *Selling Guide* (including property type, amortization type, and loan purpose).

Housing Finance Agency (HFA) Message Updates

Updates will be made to the messages that are issued on HFA Preferred and HFA Preferred Risk Sharing loan casefiles submitted to DU. The Special Feature Codes (SFCs) issued on HFA Preferred loan casefiles will also be updated to remove SFC 088 and replace SFC 358 with SFC 741.

As a reminder, lenders must have approval to deliver HFA loans to Fannie Mae. For specific HFA guidelines, lenders should contact their state Housing Finance Agency, and mortgage brokers should contact their DO sponsoring wholesale lender.

2015 Area Median Incomes

During the weekend of August 15, 2015, DU will be updated to reflect the 2015 Area Median Incomes (AMIs). The 2015 AMIs will be used to determine eligibility for MyCommunityMortgage[®] loan casefiles submitted or resubmitted to DU Version 9.1 or DU Version 9.2 on or after the weekend of August 15, 2015.

The DO/DU user interface will also be updated during the weekend of August 15, 2015, to reflect the applicable 2015 AMIs.

Data Entry Validation Update

Currently a DU loan casefile will receive an Error recommendation when the loan application includes a proposed payment in the Other Financing (P&I) field in the Combined Monthly Housing Expense section, but there is no corresponding subordinate financing identified as either new subordinate financing from the Details of Transaction, or existing subordinate financing from the Liabilities section.

This data entry validation will be updated to also check for an Undrawn HELOC Amount on the loan application. If the loan application includes a proposed payment in the Other Financing (P&I) field and an Undrawn HELOC Amount is included on the loan application, an Error recommendation will not be received.

Updates to Align with the *Selling Guide*

ARM margin rules

Selling Guide Announcement SEL-2015-03 removed the 25 basis points that were previously added to the margin of a cooperative share ARM loan. The DU messages that reminded lenders of this guideline will be updated to remove references to that requirement.

Adverse Market Delivery Charge

The removal of the Adverse Market Delivery Charge (AMDC) was announced with *Selling Guide* Announcement SEL-2015-04. The message issued in DU reminding lenders of the AMDC and loan-level price adjustments will be updated to remove the AMDC reference.

Payoff of revolving debt

As specified in *Selling Guide* Announcement SEL-2015-06, when a revolving account is being paid off at or prior to closing, the requirement that the revolving account be closed in order to exclude the payment from the debt-to-income ratio has been removed. The message issued by DU when a revolving debt is indicated as being paid off at or prior to closing that states the revolving debt must be included in the total expense payment if the account is not being closed will be removed.

Stocks, bonds, mutual funds, and retirement assets

The DU verification messages issued on stocks, bonds, mutual funds, and retirement assets will be updated to reflect policy changes that will be described in an upcoming *Selling Guide* Announcement. The policy changes will allow lenders to use 100% of the estimated liquidation value (or redemption value) for reserves, and will not require receipt of the funds realized from the sale or liquidation of the assets if the estimated liquidation value is at least 20% more than the amount of funds needed for the down payment and closing costs. Additional details will be provided in the Announcement.

Principal residence pending sale or converting to different occupancy type

Since 2008, certain requirements have applied to transactions where the borrower's existing home is either on the market but has not sold as of the date of loan closing, or is being converted from the borrower's principal residence into an investment property or second home. The removal of the reserve and minimum equity requirements will be described in an upcoming *Selling Guide* Announcement. The DU messages that reference these requirements will be updated to reflect these changes. Additional details will be provided in the Announcement.

Minimum amortization rule

Updated July 28, 2015: This section has been removed from these Release Notes. At this time, DU will not apply a minimum amortization term of 10 years (120 months) for fixed-rate mortgage loan casefiles.

Verbal VOE message update

The verbal VOE message will be updated to remind lenders that direct verification by a third-party employment verification vendor is acceptable if completed within the same timeframes, though the information may not be more than 35 days old as of the note date.

Closing Disclosure references

Updated July 28, 2015: This section has been updated to reflect the new effective date of the Closing Disclosure form. Though the DU messages will reference the Closing Disclosure after August 15, lenders will need to provide the HUD-1 Settlement Statement until the October 3 effective date.

Effective with applications dated [October 3, 2015](#), the new Closing Disclosure form will replace the HUD-1 Settlement Statement. The DU messages that reference the settlement statement will be updated to reflect this change.

No minimum payment message update

The message issued by DU when a monthly payment is not included on an installment account will be updated. This update will remind the lender what payment should be used if the account is a student loan.



Miscellaneous message text changes

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

For More Information

For more information about these Release Notes, lenders may contact their Fannie Mae customer account team; and mortgage brokers should contact their DO sponsoring wholesale lender. For technology considerations, an Integration Impact Memo will be released on the [Technology Integration](#) page on fanniemae.com.