

Desktop Originator/Desktop Underwriter Release Notes DU Version 9.1 August Update

June 17, 2014

During the **weekend of August 16, 2014**, Fannie Mae will update Desktop Underwriter[®] (DU[®]) Version 9.1 with the changes described below.

The changes included in this release will apply to DU Version 9.1 loan casefiles submitted or resubmitted to DU on or after the weekend of August 16, 2014.

The changes in this release include:

- Foreclosure message updates
- Deed-in-lieu of foreclosure and preforeclosure sale message updates
- Charge-off policy message addition
- 2014 Area Median Income limits
- Special Feature Code retirement
- Updates to align with the *Selling Guide*

Foreclosure Message Updates

DU obtains information from the credit report and determines if an account is subject to a foreclosure based on specific manner of payment codes and Remarks Codes. With DU Version 9.1 an update was made to allow lenders to instruct DU to disregard foreclosure information in the eligibility assessment on accounts that were also reported as a deed-in-lieu of foreclosure or a preforeclosure sale. With the DU Version 9.1 August Update the lender will now be able to instruct DU to disregard foreclosure information on the credit report for two additional situations. This will ensure that DU is using the most accurate information pertaining to foreclosures.

Inaccurate Foreclosure Information

When DU identifies a foreclosure on a credit report tradeline and that information is inaccurate, the lender may instruct DU to disregard the foreclosure information on the credit report. This can be done by entering "Confirmed CR FC Incorrect" in the Explanation field for question c. in the Declarations section of the online loan application and resubmitting the loan casefile to DU. When DU sees this indication, the foreclosure information on the credit report tradeline will not be used in the eligibility assessment.

DU will then issue a message stating that the foreclosure information included on the account was not used in the eligibility assessment because DU was instructed by the user to underwrite the loan casefile without the reported foreclosure information. The lender must then document that the foreclosure was completed seven or more years from the disbursement date of the new loan; or that the account was not subject to a foreclosure and the loan complies with all other applicable requirements as specified in the Fannie Mae *Selling Guide*.

Foreclosures due to Extenuating Circumstances

When DU identifies a foreclosure on a credit report tradeline and the foreclosure was due to extenuating circumstances, the lender may instruct DU to disregard the foreclosure information on the credit report when the lender confirms that the mortgage loan meets the applicable timeframes and eligibility requirements for a foreclosure due to extenuating circumstances. This can be done by entering "Confirmed CR FC EC" in the Explanation field for question c. in the Declarations section of the online loan application and resubmitting the loan casefile to DU. When DU sees this indication, the foreclosure information on the credit report tradeline will not be used in the eligibility assessment.

DU will issue a message stating that the foreclosure information included on the account was not used in the eligibility assessment because DU was instructed by the user to underwrite the loan casefile without the reported foreclosure information. The lender must document that the foreclosure was due to extenuating circumstances, that the foreclosure was completed three or more years from the disbursement date of the new loan, and that the loan complies with all other requirements specific to a foreclosure due to extenuating circumstances, as specified in the Fannie Mae *Selling Guide*.

Note: When more than one item needs to be entered in the Explanation field, the items must be separated by a comma. For example, when the borrower has conflicting foreclosure and preforeclosure sale information on one tradeline, and inaccurate foreclosure information on another, the lender may instruct DU to disregard the foreclosure information on those tradelines by entering "Confirmed CR PFS, Confirmed CR FC Incorrect."

The following is a screen shot of the Desktop Originator[®] (DO[®])/DU User Interface that shows question c. in the Declarations section, the Explanation field, and an example of how the data should be entered on the online loan application:

	Borrower 1	Borrower 2
c. Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?	Yes ▾	No ▾

	Borrower 1	Borrower 2
a.		
b.		
c.	Confirmed CR FC Incorrect	

For questions regarding the support of this field by a lender's loan origination system, lenders should contact their technical support team, and may also contact their Fannie Mae Account Team for additional assistance.

Deed-in-lieu of Foreclosure and Preforeclosure Sale Message Updates

The waiting period requirements for borrowers who have had a previous deed-in-lieu of foreclosure or preforeclosure sale are being updated to now require a four-year waiting period; though a two-year waiting period will be permitted if the event was due to extenuating circumstances and the loan complies with all requirements specific to a deed-in-lieu of foreclosure or a preforeclosure sale due to extenuating circumstances, as specified in the Fannie Mae *Selling Guide*. The loan-to-value restrictions previously tied to different waiting period timeframes are also being removed.

The deed-in-lieu of foreclosure and preforeclosure sale messages issued by DU will be updated to reflect this change, and will specify the effective date of the updated waiting period requirements. An example of how these updated requirements will be specified is as follows:

Desktop Underwriter has identified the following account on the credit report as being subject to a deed-in-lieu of foreclosure. The lender must confirm the accuracy of this information. *For loan applications taken on or after August 16, 2014*, the lender must document that the deed-in-lieu of foreclosure was completed four or more years from the disbursement date of the new loan, or two or more years from the disbursement date of the new loan when the lender confirms that the mortgage loan meets the applicable timeframes and eligibility requirements for a deed-in-lieu of foreclosure due to extenuating circumstances, in order for the loan to be eligible for delivery to Fannie Mae. *For loan applications taken before August 16, 2014*, the lender must document that the event was completed two or more years from the disbursement date of the new loan, and that the loan complies with all other requirements specific to a deed-in-lieu of foreclosure specified in the Selling Guide in order for the loan to be eligible for delivery to Fannie Mae. If the account was subject to a foreclosure, the foreclosure must have been completed seven or more years from the disbursement date of the new loan.

Borrower	Creditor	Account Number
Borrower 1	My Old Mortgage Lender	1234567890

Note: Additional details on the deed-in-lieu of foreclosure and preforeclosure sale policy changes will be specified in an upcoming Selling Guide update.

Charge-Off Policy Message Addition

A new policy will apply to mortgage accounts that have been subject to a charge-off that will require a four-year waiting period after the charge-off occurred before the borrower is eligible for a new loan that would be salable to Fannie Mae. DU will now issue a message on mortgage accounts with a manner of payment of 9 specifying that the account was identified as being subject to a charge-off and that the lender must confirm the accuracy of the information. If the mortgage account was subject to a charge-off, the lender must document that the event was completed four or more years from the disbursement date of the new loan in order for the loan to be eligible for delivery to Fannie Mae. The event may be completed two or more years from the disbursement date of the new loan when the lender confirms that the mortgage loan meets the applicable timeframes and eligibility requirements for a charge-off due to extenuating circumstances.

Note: Additional details on the charge-off policy will be specified in an upcoming Selling Guide update. The collection/charge-off policy on non-mortgage accounts that applies to DU loan casefiles will not be modified with this release.

2014 Area Median Income Limits

During the weekend of August 16, 2014, DU will be updated to reflect the 2014 Area Median Incomes (AMIs). The 2014 AMIs will be used to determine eligibility for MyCommunityMortgage loan casefiles submitted or resubmitted to DU Version 9.1 or DU Version 9.0 on or after the weekend of August 16, 2014.

With the implementation of the 2014 AMIs, DU will now apply limits only at the county-level. DU will no longer use MSAs to determine the AMI for the area in which the property is located. The DO/DU user interface will also be updated during the weekend of August 16, 2014, to reflect the county list and the applicable 2014 AMIs.

Special Feature Code Retirement

As stated in *Selling Guide* Announcement SEL-2014-06, Special Feature Code (SFC) 214 will be retired with the DU Version 9.1 August Update. SFC 127 will now be used at delivery to identify all loans underwritten through DU.

Updates to Align with the *Selling Guide*

DU Refi Plus messages

The message issued on DU Refi Plus™ loan casefiles indicating that the lender must determine if a loan casefile is either a higher-priced mortgage loan or a higher-priced covered transaction under Regulation Z will be updated so it is no longer issued on investment properties.

The messages issued when the borrower had a previous bankruptcy, foreclosure, deed-in-lieu of foreclosure, or preforeclosure sale will be updated to make it clear that the presence of the event does not impact the eligibility of the loan casefile.

A new message will be added when a borrower had a mortgage account that was subject to a charge-off identifying the charge-off account and stating that the presence of the event does not impact the eligibility of the loan casefile.

Previous significant derogatory events

When DU identifies a bankruptcy, foreclosure, deed-in-lieu of foreclosure, preforeclosure sale, or mortgage charge-off, and it is up to the lender to determine if the waiting period has been met, DU will instruct the lender that the waiting period is measured from the disbursement date of the new loan, not the credit report date.

On loan casefiles where DU measures the waiting period and uses that information in the eligibility assessment, the credit report date will continue to be used as DU does not know the disbursement date of the new loan. For loan casefiles that will have met the waiting period requirement based on disbursement date, but not credit report date, the lender may pull a new report after the waiting period has elapsed in order to receive an Eligible recommendation.

Miscellaneous Message Text Changes

Various DU messages will be updated in order 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. Additional information about the release may be obtained by attending one of the HFI Spotlight sessions specific to the release, refer to the [Originating & Underwriting Learning Center](#) for the session schedule. For technology considerations, an Integration Impact Memo will be released on the [Technology Integration](#) page on fanniemae.com.