

DU for Government Loans Release Notes October 2014 Release

September 2, 2014

Updated September 16, 2014

Updated October 27, 2014

Updated October 27: As part of the updates on October 18, Fannie Mae connected to a new version of the FHA TOTAL Mortgage Scorecard. Due to technical issues that FHA is currently experiencing with this new version of the TOTAL Mortgage Scorecard, Fannie Mae will revert the October 18 release and connect back to the prior version of the TOTAL Mortgage Scorecard. The enhancements listed in the release notes below will not be available in DU for government loans and have been postponed until a future release.

Note: The retirement of the DU for government loans version noted below will still remain effective as of October 18. Please also refer to the “Current Data Entry Guidance” section of the [July Reminder](#) for information on how to enter gift funds for FHA loans.

During the **weekend of October 18, 2014**, Desktop Underwriter® (DU®) for government loans will be updated to include the changes below:

- Retirement of a DU for government loans version
- Update to data entry guidance for FHA Gift Funds
- Change to Mortgage Insurance Premium information sent to FHA (*updated September 16: to further clarify the update*)
- Updates based on HUD Mortgagee Letters 13-24 and 13-25
- Miscellaneous FHA and VA calculation and message updates

The changes included in this release will apply to all loan casefiles submitted or resubmitted to DU for government loans on or after the weekend of October 18, 2014.

NOTE: For ease of reference, this document generally uses the term “DU” to refer to “DU for government loans.”

Retirement of a DU Version

DU for Government Loans Release 4.0 was introduced during the weekend of October 19, 2013. Prior to that release loan casefiles were underwritten using a previous version, and that version is now being retired with the October 2014 release. Therefore, effective the weekend of October 18, 2014, customers will no longer be able to resubmit loan casefiles created prior to October 19, 2013, to this previous version. However, customers will continue to be able to view online loan applications and DU Underwriting Findings reports for these loans. To obtain an updated underwriting recommendation for those loan casefile created prior to October 19, 2013, after the weekend of October 18, 2014, customers must create a new loan casefile and submit it to DU.

FHA –Transactions With Gift Funds

As previously communicated in the July 29, 2014, Selling News update:

Effective October 18, 2014, the full gift funds amount should be entered in DU following the guidance below:

- In Section II Source of Down Payment, a valid FHA Down Payment Type Code will continue to be required and the full gift amount must be entered, even if the amount is not being used for down payment or if the gift amount exceeds the down payment amount.
- In Section VI Assets, all assets should be entered as verified. If the borrower has received a gift and that gift has been deposited into a depository account, the gift should not be entered separately as a gift asset. If the gift has not been deposited into a depository account, it must be shown separately as a gift asset.

NOTE: For example, if the borrower's verified checking account reflects a balance of \$15,000, and \$5,000 of that amount was from a gift, the checking account balance should remain as \$15,000, with the \$5,000 shown as a gift in the Source of Downpayment in Section II. Multiple gifts should be listed individually in both sections, when applicable.

Additionally, 2 new messages will be added further addressing gift funds:

1. *Inaccurate entry of gifts*

This ineligibility message will be issued on FHA loan casefiles when a gift is entered in the Assets section but not in the Source of Downpayment Section:

This loan is ineligible because a gift amount is shown in the Assets section but not in the Source of Downpayment section. The information is required in both sections to ensure calculations are performed correctly by DU, and the correct information is sent to the FHA TOTAL Mortgage Scorecard. Enter the full gift amount in the Source of Downpayment Section with a valid FHA Down Payment Type Code and resubmit.

2. *Generic Gift funds Message*

This message will be issued on FHA loan casefiles when the previous message does not apply, and includes information on how to properly enter gift funds:

If a gift is being used, the full amount of the gift must be entered in the Source of Downpayment Section with a valid FHA Down Payment Type Code, to ensure that the correct information is sent to the FHA TOTAL Mortgage Scorecard. Additionally, the gift must be entered in the Assets section as verified. If the gift has been deposited into a depository account, it should not be entered separately as a gift asset to avoid double counting of the gift funds. If the gift has not been deposited into a depository account, it must be shown separately as a gift asset.

FHA Mortgage Insurance Premium (MIP)

Updated September 16: To better assist FHA with their calculations, the amount of the Financed Upfront MIP (line n. PMI, MIP, Funding Fee financed from the Details of Transaction section) will now be sent to the FHA TOTAL Mortgage Scorecard instead of the Upfront MIP amount (line g. PMI, MIP, Funding Fee from the Details of Transaction section).

FHA update based on Mortgagee Letters 13-24 and 13-25

Disputed Credit

This message will be modified to address changes made in Mortgagee letters 13-24 and 13-25:

For cases assigned on or after 10/15/13, if the credit report reveals that the borrower is disputing any credit accounts or public records and the total of all outstanding balances for all disputed derogatory credit accounts for all borrowers is greater than or equal to \$1000, downgrade to refer and manually underwrite the loan. If it is less than \$1000, a downgrade to manual underwriting is not required. Disputed charge-offs, collections, and late payments in the last 24 months are considered derogatory. For excluded derogatory account types, please consult Mortgagee Letters 13-24 and 13-25.

FHA & VA – Miscellaneous Calculation and Message Changes

Non-Occupant Borrowers

The following message will be issued on FHA loan casefiles when a non-occupant borrower is present:

The non-occupant borrower's income and liabilities have been included in the total expense ratio.

Mortgage Credit Certificate (MCC)

The following verification message will be issued on loan casefiles when an MCC is present:

The Mortgage Credit Certificate (MCC) is included in the total expense ratio.

Excessive Submission Message

The logic that results in the issuance of the Excessive Submission message, which identifies an unusually high number of submissions in combination with changes to certain data elements, will be updated.

Miscellaneous Message Text Changes

Various messages will be updated for both usability and format.

Additional Resources

For additional information, please reference the documents or Web sites listed in the chart below.

Document Name & Description	URL
Online HUD Handbook 4155.1, Mortgage Credit Analysis for Mortgage Insurance	http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg/4155.1
HUD Mortgagee Letters	http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/
FHA Mortgage Limits	https://entp.hud.gov/idapp/html/hicostlook.cfm
CHUMS Data Files	http://www.hud.gov/pub/chums/file_layouts.html
FHA Resource Center: Contact Information and FAQs	http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/fhare_sourcectr
VA Lenders Handbook	http://www.benefits.va.gov/warms/pam26_7.asp
VA Lenders Handbook Chapter 4: VA rental income guidelines located in Ch 4, 2-o	http://www.benefits.va.gov/WARMS/docs/admin26/pamphlet/pam26_7/ch04.doc
VA Circulars	http://www.benefits.va.gov/homeloans/new.asp
VA Loan Limits	http://www.benefits.va.gov/homeloans/loan_limits.asp

Document Name & Description	URL
VA Regional Loan Centers: Contact Information	http://www.benefits.va.gov/homeloans/rlcweb.asp

For More Information

More information can be found in the Help Center, which is accessed through the DO/DU User Interface. Additionally, lenders may contact their Fannie Mae Account Team; and mortgage brokers should contact their DO sponsoring wholesale lender. For questions regarding HUD policies and guidelines, lenders and mortgage brokers should contact HUD at 1-800-CALL-FHA (1-800-225-5342). For questions regarding VA policies and guidelines, lenders and mortgage brokers should contact their VA Regional Loan Center.