



Qualifying Interest Rate Used by Desktop Underwriter for Proposed Monthly Housing Expense

August 19, 2016

Tip: To print this document, click (Print). To get a closer look at a screen, click (Zoom In) in the toolbar.

The proposed monthly housing expense consists of principal, interest, taxes, insurance, and other assessments (PITIA) based on the fully amortizing repayment schedule and is included in the total expense ratio. For more information on qualifying calculations, refer to the *Selling Guide*.

The following table provides information on the calculation Desktop Underwriter® (DU®) uses to determine the PITIA when qualifying the borrower:

Amortization Type	Qualifying Interest Rate
Fully Amortizing	
Fixed-Rate Mortgages	Note Rate
6-Month to 5-Year ARMs ¹	Greater of the fully indexed rate or the note rate + 2.0%
7- to 10-Year ARMs ¹	Greater of the fully indexed rate or the note rate
Lender ARM Plans	
Lender ARM Plans	Interest rate entered in the ARM Qualifying Rate field. If an interest rate is not entered, DU uses the note rate + 2.0%.

¹The fully indexed rate is defined here as the index plus the margin as entered in the online loan application.

NOTE: *The fully indexed rate is rounded to the nearest one-eighth percent per the B2-1.3-02, Adjustable-Rate Mortgages (ARMs) section in the Selling Guide.*