

Desktop Underwriter® Training

Understanding the Underwriting Findings Report
October 2017



Agenda

In Today's Session

- Fannie Mae Website
- Understanding Recommendations
- Understanding DU Risk Analysis
- Credit, Income and Asset and Appraisal Messages
- Data Integrity Reminders
- Genworth Website

**Today's Session Addresses Only Conventional Loans And
Excludes DU Refi Plus™ Loan Requirements**

Fannie Mae Website

Search forms, documents, site content, etc...

Single-Family Originating & Underwriting Pricing & Execution Delivering Servicing Training Technology Solutions

Lenders' Experiences with TRID: Larger Lenders Have the Advantages for Now

Single-Family Originating & Underwriting Pricing & Execution Delivering Servicing Training Technology Solutions

Originating & Underwriting

Tell Us Why You're Here

- Mortgage product and eligibility information
- Condo, co-op, and PUD eligibility information
- Loan quality and appraiser quality monitoring

[Clear Selection](#)

Technology Applications & Tools

See Technology Solutions tab for full list.

Collateral Underwriter	Condo Project Manager	Credit Variance Administration System	Desktop Originator
Desktop Underwriter	EarlyCheck	Fannie Mae Connect	Home Counselor Online
Quality Assurance System	Uniform Collateral Data Portal (UCDP)	Technology Integration	Technology Manager: Registration & Account Management

Most Popular

Selling Guide
Single-Family Mortgage Products
Condo, Co-op and PUD Project Eligibility
Selling Guide Quick Links
FAQs | Top Underwriting Questions

[Sign Up for Email Updates](#)

Lender Announcements & Letters

Announcement SEL-2016-04: Selling Guide Updates
Announcement SEL-2016-03: Selling Guide Updates
Announcement SEL-2016-02: Selling Guide Updates
Selling and Servicing Notice: Flint, MI

What's New

New Quarterly Compass: Q2 Technology and Policy News and Updates [new](#)
Jun 21, 2016
Summarizes what's new with the Uniform Mortgage Data Program (UMDP) initiatives, the summer launch of our new

<http://fanniemae.com/portal/index.html>

Fannie Mae Website



Fannie Mae provides information, training, job aids, and more to assist in originating loans for sale to Fannie Mae.

Technology Applications & Tools

See Technology Solutions tab for full list.

Collateral Underwriter

Condo Project Manager

Credit Variance
Administration System

Desktop Originator

Desktop Underwriter

EarlyCheck

Fannie

LAUNCH APP

Quality Assurance
System

Uniform Collateral Data
Portal (UCDP)

Techno

Manage My Account

+

Reset My Password

Users: Update
Password/Profile

Admins: Manage
Applications/Users

Upcoming Outage

DU may be unavailable from
9:30 p.m. to 11 p.m. ET
Sunday, Sept. 24.

Technology Application Availability

Related Links

Day 1 Certainty

Integrate Your Technology

Credit Information Providers

With **Day 1 Certainty**, you get freedom from reps and warrants and greater speed and simplicity. With the **DU Validation Service**, you can validate loan application data upfront.

DAY1
CERTAINTY

Property Inspection Waivers: Disaster Reminder

Loans in process that will be secured by properties located in a disaster-impacted area are ineligible for property inspection waivers (PIWs). We periodically update our systems to deactivate PIW offers in certain disaster-impacted areas that can be identified by county or ZIP Code boundaries, but we are unable to identify and de-activate PIW offers on all properties that may have been impacted by a disaster. For more information, view the [PIW FAQs](#) and the [Assistance in Disasters page](#).

Learn How DU Can Help Your Business

[At-A-Glance: Introduction to DU's Features and Benefits](#)

[DU Fact Sheet: Value Overview](#)

[DU Fact Sheet: Version 10.0 Overview](#)

[DU Fact Sheet: Version 10.0 Nontraditional Credit Underwriting Overview](#)

What's New

[DU Version 10.0 and 10.1 August Update](#)

Aug 18, 2017

Effective Saturday, Aug. 19, Desktop Underwriter will update Property Inspection Waiver offers to include some purchase transactions.

[Selling Guide Updates From DU 10.1 Release](#)

Jul 25, 2017

<https://www.fanniemae.com/singlefamily/desktop-underwriter>

Selling Guide

Originating & Underwriting Pricing & Execution Delivering Servicing Training Technology



Originating & Underwriting

We provide information, training, job aids, and more to assist in originating loans for sale to Fannie Mae.

Most Popular

- Selling Guide **updated**
- Mortgage Products and Options
- Condo, Co-op and PUD Project Eligibility
- FAQs | Top Underwriting Questions

Sign Up for Email Updates

Technology Applications & Tools

See Technology Solutions tab for full list.

Collateral Underwriter	Condo Project Manager	Credit Variance Administration System	Desktop Originator
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Quality Assurance System	Uniform Collateral Data Portal (UCDP)	Technology Integration	Technology Manager: Registration & Account Management

Lender Announcements & Letters

Announcement SEL-2016-08: Selling Guide Updates **new**

Announcement SEL-2016-07: Selling Guide Updates

What's New

Introducing Day 1 Certainty **new** Oct 24, 2016

Day 1 Certainty gives you freedom from reps and warrants and greater speed and simplicity when delivering loans to Fannie Mae.

Part B, Origination Through Closing

08/29/2017

Part B, Origination Through Closing

Origination Through Closing

DU 10.0 and 10.1 November Updates

Borrowers with Credit Freeze - Updated weekend of November 18

- DU will underwrite if only one repository is frozen
 - A warning message will be issued by DU reminding lenders of their responsibility
- If two repositories are frozen, DU will issue an error message
- If no credit score is generated by the two repositories available, DU will underwrite under the guidelines specific for borrowers without traditional credit



Fannie Mae®

Desktop Underwriter/Desktop Originator Release Notes

DU Version 10.0 and 10.1 November Update

October 17, 2017

During the **weekend of November 18, 2017**, Fannie Mae will update Desktop Underwriter® (DU®) Version 10.0 and Version 10.1 to include the change described below. This change will apply to DU Version 10.0 and Version 10.1 loan casefiles submitted or resubmitted to DU on or after the weekend of November 18, 2017.

Frozen Credit Report Update

DU currently issues an error message when a borrower has a security freeze on their credit report with Equifax, Experian, or TransUnion. DU will now be updated to underwrite loan casefiles when a borrower has placed a freeze on their credit report at only one of the three credit repositories.

When credit is frozen at one of the three repositories, the loan casefile will be underwritten using the credit data received from the other repositories, and DU will issue the following Potential Red Flag message.

Based on the credit data received, a borrower has frozen their account with one of the credit repositories. No data from that repository was used in underwriting the loan casefile. The lender remains responsible for preventing fraud, which includes, but is not limited to, ensuring the borrower's identity has been verified. In addition, the lender must continue to investigate any liabilities or derogatory credit that is disclosed by the borrower but not reflected on the credit report.

When credit is frozen at one of the three repositories, and no credit scores are received from the other two repositories, DU will evaluate the loan casefile using the guidelines specific to borrowers without traditional credit and issue a Potential Red Flag message. This new message will inform the lender that the borrower has frozen their account with one of the credit repositories, there is no data available from the other two repositories, and that the lender remains responsible for ensuring the borrower's identity has been verified and any credit disclosed by the borrower is investigated.

NOTE: If credit is frozen at two or more of the credit repositories, DU will issue an Error recommendation and a message stating the loan casefile cannot be underwritten because a borrower has frozen their account at two or more credit repositories.

Additional information regarding manually underwritten loans for borrower who have placed a security freeze on their credit report will be provided in a future *Selling Guide* update.

For More Information

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

Selling Guide SEL 2017-06 and DU 10.1

DU 10.1 updated July 29, 2017

– DTI Ratios

- No additional compensating factors required for DTI ratios of 45% to 50%
- Cases with DTI > than 50 will receive an "Ineligible" recommendation

– ARM LTV aligned with Fixed Rate loans

- More recommendations returned requiring only one year tax returns for self-employed
- Disputed trade lines included in risk and message appears if additional action needed
- Timeshare trade lines will be treated as installment debts regardless of how they appear on the credit report (see FAQs)
- Alimony obligations can be subtracted from income OR included as a liability
- Mortgage accounts that are paid by others can be excluded, if a 12 month history is documented with no delinquency



Fannie Mae®

Desktop Underwriter/Desktop Originator Release Notes DU Version 10.1

May 30, 2017

During the weekend of July 29, 2017, Fannie Mae will implement Desktop Underwriter® (DU®) Version 10.1, which will include the changes described below.



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Selling Guide Announcement SEL-2017-06

July 25, 2017

Selling Guide Updates

The Selling Guide has been updated to include changes to the following:

- Debt-to-Income Ratios
- ARM Enhancements
- Employment Offers or Contracts
- Fidelity Bond and Errors and Omissions
- Disputed Tradelines
- Timeshare Accounts
- Simplification of Document Custody Requirements
- Student Loan Clarifications
- Alimony Treatment
- Mortgages Paid by Others
- Miscellaneous Selling Guide Updates

Each update is described below. The affected topics for each policy change are listed in the Attachment. The Selling Guide provides full details of the policy changes. The updated topics are dated July 25, 2017.

Debt-to-Income Ratios

We are introducing simpler, more certain underwriting guidelines by allowing more loans with debt-to-income (DTI) ratios between 45 and 50% to receive an Approve/Eligible recommendation through Desktop Underwriter® (DU®) based on the comprehensive risk assessment of the loan. We will no longer require specific, additional compensating factors outside of DU's standard risk assessment to support a DTI ratio above 45%. Relying on the certainty of the DU risk assessment, which considers a broad range of loan characteristics and borrower credit factors, including DTI ratio, will expand access to credit for creditworthy borrowers in a responsible way. We will continue to monitor loans with high DTI ratios and may adjust pricing in the future, as appropriate.

Because this policy change applies to all loans submitted to DU, reference to specific compensating factors that were used to allow DTIs greater than 45% up to 50% for HomeReady® loans (non-borrower household income and completion of housing counseling prior to the execution of the sales contract) will be removed. Note that HomeReady borrowers who meet the housing counseling requirement are still eligible for a loan-level price adjustment credit.

Note: The increase in the maximum DTI ratio does not apply to DU Refi Plus™, where higher DTIs are already permitted, manually underwritten loans, where lower DTI limits continue to apply, or Refi Plus™ loans.

Effective Date

These changes will be effective for new loan casefiles submitted to DU Version 10.1 on or after the weekend of July 29, 2017.

Selling Guide SEL 2017-06 and DU 10.1

DU/DO updated July 29, 2017

- PIW eligible on Preliminary findings when using DO
- New message for borrowers who have a contract for employment (see income slides)
- Multiple Financed Properties message updates (discussed later)
- Homebuyer education message updates (see HomeReady™ training)
- DO/DU interface updated to support HMDA changes required for loan applications January 1, 2018



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Desktop Underwriter/Desktop Originator Release Notes DU Version 10.1

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Fannie Mae®

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July 25, 2017

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Debt-to-Income Ratios

We are introducing simpler, more certain underwriting guidelines by allowing more loans with debt-to-income (DTI) ratios between 45 and 50% to receive an Approve/Eligible recommendation through Desktop Underwriter® (DU®) based on the comprehensive risk assessment of the loan. We will no longer require specific, additional compensating factors outside of DU's standard risk assessment to support a DTI ratio above 45%. Relying on the certainty of the DU risk assessment, which considers a broad range of loan characteristics and borrower credit factors, including DTI ratio, will expand access to credit for creditworthy borrowers in a responsible way. We will continue to monitor loans with high DTI ratios and may adjust pricing in the future, as appropriate.

Because this policy change applies to all loans submitted to DU, reference to specific compensating factors that were used to allow DTIs greater than 45% up to 50% for HomeReady® loans (non-borrower household income and completion of housing counseling prior to the execution of the sales contract) will be removed. Note that HomeReady borrowers who meet the housing counseling requirement are still eligible for a loan-level price adjustment credit.

Note: The increase in the maximum DTI ratio does not apply to DU Refi Plus™, where higher DTIs are already permitted, manually underwritten loans, where lower DTI limits continue to apply, or Refi Plus™ loans.

Effective Date

These changes will be effective for new loan caselines submitted to DU Version 10.1 on or after the weekend of July 29, 2017.

Selling Guide SEL 2017-04

Effective Immediately

- Student Loans in repayment, the payment calculation is based on:
 - Payment on credit report or
 - 1% of outstanding loan balance or
 - Documented loan repayment terms
- Cash Out Refinance available to include payoff of student loans
 - See next slide for details
- PERS Approval valid for 24 months vs current 18 months
- Truncated Account Numbers to “4” acceptable



Fannie Mae®

Selling Guide Announcement SEL-2017-04

April 25, 2017

Selling Guide Updates

The Selling Guide has been updated to include changes to the following:

- Student Loan Solutions
- Project Eligibility Review Waiver for Fannie Mae to Fannie Mae Limited Cash-Out Refinances
- Properties Listed for Sale in the Previous Six Months
- PERS Expiration Dates
- Truncated Asset Account Numbers
- Flash Settlement for Mortgage-Backed Securities
- Servicing Execution Tool Bifurcation Option Terms and Conditions
- Miscellaneous Selling Guide Update

Each of the updates is described below. The affected topics for each policy change are listed on the Attachment. Lenders should review each topic to gain a full understanding of the policy changes. The updated topics are dated April 25, 2017.

Student Loan Solutions

Student Loan Payment Calculation

We are simplifying the options available to calculate the monthly payment amount for student loans. The resulting policy will be easier for lenders to apply, and may result in a lower qualifying payment for borrowers with student loans. If a payment amount is provided on the credit report, that amount can be used for qualifying purposes. If the credit report does not identify a payment amount (or reflects \$0), the lender can use either 1% of the outstanding student loan balance, or a calculated payment that will fully amortize the loan based on the documented loan repayment terms.

The current Desktop Underwriter® (DU®) message issued when an installment debt on the loan application does not include a monthly payment will be updated in a future release to reflect this new policy. Until then, lenders may disregard the statement in the message specifying the previous policy and follow the requirements in the Selling Guide.

Effective Date

This policy change is effective immediately.

Debts Paid by Others

We are simplifying our requirements for excluding non-mortgage debts from the debt-to-income ratio. Non-mortgage debts include debt such as installment loans, student loans, and other monthly debts as defined in the Guide.

If the lender obtains documentation that a non-mortgage debt has been satisfactorily paid by another party for the past 12 months, then the debt can be excluded from the debt-to-income ratio. This policy applies regardless of whether the other party is obligated on the debt.

NOTE: This policy does not apply if the other party is an interested party to the subject transaction (such as the seller or realtor).

Selling Guide SEL 2017-04

Student Loan Cash-out Refinance

With this update, we are introducing the student loan cash-out refinance feature, a cost-effective alternative to use existing home equity to pay off student loan debt. This feature provides the opportunity for borrowers to payoff one or more student loans through the refinance transaction, potentially reducing their monthly debt payments. The loan-level price adjustment that applies to cash-out refinance transactions will be waived when all requirements have been met.

The student loan cash-out refinance feature contains elements of both a cash-out refinance and a limited cash-out refinance transaction as described in the table below.

Student Loan Cash-out Refinance Features		
Student Loans Eligible for Payoff	<ul style="list-style-type: none">At least one student loan must be paid off. Loan proceeds must be paid directly to the student loan servicer at closing.Only student loans for which the borrower is personally obligated can be paid through the transaction.Student loan debt must be paid in full with the proceeds – partial payments of student loan debt are not permitted.	New policy
Eligibility	The standard cash-out refinance LTV, CLTV, and HCLTV ratios apply per the <i>Eligibility Matrix</i>	Aligns with cash-out refinance
Underwriting Method	DU only	New policy
Maximum Cash Back	Lesser of 2% or \$2k (over and above the student loan payoff)	Aligns with limited cash-out refinance
Mortgage Payoff	1 st mortgage and purchase-money seconds	Aligns with limited cash-out refinance
Other Requirements	<ul style="list-style-type: none">Property cannot be listed for sale at time of disbursementPayoff of taxes ineligible unless escrow account is establishedPayoff of delinquent taxes ineligible	Aligns with limited cash-out refinance

Lenders must deliver the following Special Feature Code (SFC) 841, Student Loan Cash-Out Refinance, at the time of delivery.

NOTE: The *Eligibility Matrix*, *Special Feature Codes*, and *Loan-Level Price Adjustment Matrix* will be updated to reflect the applicable changes.

Effective Date

This policy is effective immediately. DU is not currently able to identify these transactions or issue specific messaging so lenders must confirm the loan meets all the requirements to include SFC 841 at time of delivery.

Selling Guide SEL 2016-08 and DU 10.0

DU/Guide/Verification Services Updates

- Introduction of DU Validation Service
 - Income, Employment, Assets, PIW, Value Enforcement Relief
- Site Condos no longer require approval
- HomeReady® Enhancements
 - See HomeReady Specific training for the updates
- Self-employed co-borrower income/loss not required to evaluate
- Garnishment not required to payoff, but remain in a repayment plan
- Extension of DU Refi Plus™ and Refi Plus™
- See *Selling Guide* for Complete Details

 Fannie Mae®

Desktop Underwriter/Desktop Originator Release Notes
DU Version 10.0 December Update

October 24, 2016
Updated November 28, 2016

During the weekend of December 10, 2016, Fannie Mae will update Desktop Underwriter® (DU®) Version 10.0 with the

 Fannie Mae

Selling Guide Announcement SEL-2016-08
October 24, 2016

Selling Guide Updates
The *Selling Guide* has been updated to include changes to the following:

- DU® Validation Service
- Property Inspection Waivers
- HomeReady® Enhancements
- Site Condos
- New Fannie Majors® Option and Changes to MBS Parameters
- Garnishments
- Co-Borrower Self-Employment Income Evaluation
- Extension of DU Refi Plus™ and Refi Plus™
- Miscellaneous *Selling Guide* Updates

Each of the updates is described below. The affected topics for each policy change are listed on the Attachment. Lenders should review each topic to gain a full understanding of the policy changes. The updated topics are dated October 24, 2016.

In addition, updates to the following are described in this Announcement:

- Revisions to the Rhode Island and Massachusetts Security Instruments

DU Validation Service

We are committed to developing solutions that offer our lenders more certainty when delivering loans to Fannie Mae. To that end, we are introducing the DU validation service for income. This is an optional service provided by Desktop Underwriter® (DU) that lenders must "opt in" to order to participate. Through this service, DU receives a copy of an electronic report obtained by the lender from a designated vendor. DU will use the data from the vendor report to validate specific borrower income information entered by the lender in DU. When income is validated by DU through the validation service, the lender will receive certain representation and warranty enforcement relief. Different quality control and documentation requirements may also apply.

The designated vendors and the types of income that can be validated, are listed below.

Income Validation

- The Work Number® from Equifax® will be used to validate income information for base, bonus, overtime, and commission income that is less than 25% of total income.
- Tax transcripts obtained from the Equifax 4506-T Tax Transcript Service and information obtained from The Work Number will be used to validate commission income equal to or greater than 25% or more of total income.
- Tax transcripts obtained from the Equifax 4506-T Tax Transcript Service will be used to validate income information for Social Security income, pension/retirement income, and self-employment income for sole proprietorships (as reported on IRS Form 1040, Schedule C or C-EZ).

Refer to the *Selling Guide*, the [Desktop Underwriter/Desktop Originator Release Notes](#) dated October 24, 2016, and the [DU Validation Service Reference Guide](#) for additional information.

Day 1 Certainty™

Day 1 Certainty

Day 1 Certainty™ gives lenders freedom from representations and warranties plus greater speed and simplicity, and enables an improved borrower experience.

DAY1
CERTAINTY™

What's New

[Day 1 Certainty Policy Clarifications](#) Mar 28, 2017

The Selling Guide has been updated to reflect policy clarifications for the Desktop Underwriter (DU) validation service and certainty on appraised value components of Day 1 Certainty.

Learn More

[Overview](#)

[Resource Guide](#)

[DU Validation Service](#)
[Verification Report Vendors updated](#)

[Data Vendor Process](#)

[Press Release](#)

Transform Your Business

Find out how we can help you transform your business.

DAY1
CERTAINTY™

OnDemand eLearning Courses

DU/DO/Fannie Mae Connect user credentials are needed to access overview eLearning course.

[Introduction to Day 1 Certainty](#)

[Implementing Day 1 Certainty: DU Validation Service, Property Inspection Waiver, and Certainty on Appraised Value](#)

[DU Validation Service Overview: Income, Employment, and Assets](#)

[DU Validation Service: Quality Control Overview](#)

With Day 1 Certainty, Get Freedom...

Freedom from paper-based processes with validation of income, assets, and employment

[See DU Validation Service](#)



Freedom from appraisal requirements on eligible refi transactions

[See Property Inspection Waiver](#)



Freedom from reps and warrants on appraised value

[See Collateral Underwriter](#)



<https://www.fanniemae.com/singlefamily/desktop-underwriter-validation-service>

DU Validation Service

Optional Service via DU – Lenders Must Activate to use

- Execute contract with vendor(s), then execute contract/agreements with Fannie Mae
- Validation Options for Income, Assets and Employment verified by Third Party Data Vendor (i.e. The Work Number® from Equifax®)
- Tax transcripts used from a tax transcript Service used for Social Security Income, pension/retirement income, and self-employment income for sole proprietors (schedule c income)
- Lenders can use one or all of the services
- DU validation service will be applied for ALL DU casefiles underwritten by participating lenders that have activated the service

DU Validation Service

- Lenders obtain borrower consent then order the “verification report(s)”
- Lender reviews report for any discrepancies with borrower
- Lender enters details into DU and submits
- DU obtains a “duplicate” report from the vendor using loan number or reference number. (Lender loan #, social security number must match in DU to the report)
- DU performs its own income and asset calculation to arrive at a value that is compared to DU
- Employment status can also be verified
- DU returns messages related to the components submitted for validation:
 - Income is validated on a per-borrower and per-income basis
 - Assets are validated on a loan-level basis
 - Employed is validated on a per-borrower and per-employer basis
- When a component of the file (income, assets, or employment) is validated in DU, Fannie Mae will not enforce representations and warranties with regard to:
 - Accuracy of income calculation, asset calculation, and borrower employment status at the time of closing
 - Integrity of the data from the designated vendor

How It Works - Income Example

Income Calculation Example: Base + Bonus Income

1

Information Current As Of:
Rate of Pay:

3/13/2016
\$4,000 Monthly

The Work Number Report

Year	Base Pay	Overtime	Commission	Bonuses	Other Income	Total Pay
2016YTD	\$9,880.00	\$0.00	\$0.00	\$5,000.00	\$0.00	\$14,880.00
2015	\$46,000.00	\$0.00	\$0.00	\$4,500.00	\$0.00	\$50,500.00
2014	\$45,000.00	\$0.00	\$0.00	\$5,000.00	\$0.00	\$50,000.00

2

DU validation service calculation:

Base = \$4,000

Bonus = $[\$5,000 \text{ (2016 bonus)} + \$4,500 \text{ (2015 bonus)}] / 24 \text{ months} = \395.83

3

DU 1003 John H.

Base Income	\$4,000.00
Overtime	
Bonuses	\$450.00

VALIDATED Base income
NOT VALIDATED Bonus income

4

DU messages:

- 1) Base income for John H of \$4,000 entered on the online loan application has been validated using Verification of Income (VOI) data. The report from The Work Number is acceptable documentation to support this income.
- 2) Bonus income for John H of \$395.83 has been calculated using Verification of Income (VOI) data, which is lower than the bonus income entered on the online loan application for the borrower. The borrower's bonus income must be supported by a paystub and W-2s covering the most recent two-year period, or by a standard Verification of Employment (1005). The paystub must be dated no earlier than 30 days prior to the initial loan application date and it must include all year-to-date earnings. Additionally, the paystub must include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained. If a standard Verification of Employment (1005) will be obtained it must include all year-to-date earnings, as well as prior year earnings if a W-2 is not being provided. For guidance on borrowers with less than a two-year history of receiving bonus income, or for any additional information on the verification of bonus income, refer to the Selling Guide. Direct verifications provided by a third party employment verification vendor are acceptable if completed in accordance with the Selling Guide.

Trended Credit Data

DU Version 10.0 uses trended credit data in the risk assessment.

- Trended data includes historical monthly data including: balance, scheduled payment, and actual payment amount that the borrower made
- Initially, DU will only use the trended credit data on revolving credit card accounts for the most recent 24 months' payment history
- This information enhances the DU risk assessment

E C O A	W H O S E	CREDITOR	DATE REPORTED	CREDIT		BALANCE	PAST DUE	MO REV	30	60	90+	STATUS		
				DATE OPENED	HIGH CREDIT OR LIMIT							DLA	ACCT TYPE	TERMS
C	C	NASA FEDERAL CREDIT 4807595050092646	02/16	04/13 02/16	\$12000 REV	\$11836 MIN \$237	\$0	35	0	0	0	R1	XP/TU/EF	
		Trended	01/16	12/15	11/15	10/15	09/15	08/15	07/15	06/15	05/15	04/15	03/15	02/15
		Scheduled (\$)	240	221	223	216	219	221	224	227	230	217	220	222
		Actual (\$)	250	223	250	230	230	250	250	250	220	250	230	0
		Balance (\$)	11976	11003	11120	10792	10915	11045	11189	11333	11478	10811	10962	11093
			01/15	12/14	11/14	10/14	09/14	08/14	07/14	06/14	05/14	04/14	03/14	02/14
		Scheduled (\$)	220	223	225	223	220	218	200	203	205	208	-	-
		Actual (\$)	250	225	250	250	250	200	220	205	250	250	-	-
		Balance (\$)	10976	11120	11240	11116	10990	10870	9989	10118	10237	10392	-	-

No additional review of this information will be required initially.

Initially the trended credit data will only be reported by Equifax & Trans Union.

DU 10 and Trended Credit - FAQ's



DU Version 10.0 Frequently Asked Questions

During the weekend of June 25, 2016 Fannie Mae will implement Desktop Underwriter® (DU®) Version 10.0. The changes included in this release will apply to new loan casefiles submitted to DU on or after the weekend of June 25, 2016.

Q9. How does the amount a borrower pays on their credit card account demonstrate how they will pay their mortgage?

The trended credit data will be used by the DU risk assessment to evaluate how the borrower manages his/her revolving credit card accounts. A borrower who uses revolving accounts conservatively (low revolving credit utilization and/or regular payoff of revolving balance) will be considered a lower risk. A borrower whose revolving credit utilization is high and/or who makes only the minimum monthly payment each month will be considered higher risk.

To put it into perspective, holding all else equal on a loan...

Research has shown that borrowers who	are	than borrowers who
Never exceed their limit	75% less likely to become delinquent	Exceeded their credit card limit in the last 12 months
Pay off their credit card every month	60% less likely to become delinquent	Only make their minimum payment each month

DU/DO DU 10.0 Release Notes and Appendix A - Review for Full Details

Appendix A: Comparison of Risk Factors Evaluated by DU Versions 9.3 and 10.0

Risk Factor	How	DU 10.0		
Credit History	A borrower older have borrowed A borrower receives high estal payn		a delinquency (if any) has occurred, the severity of delinquency, and the age of the mortgage accounts are also factored into the credit analysis	
	Revolving Credit Utilization	The established borrower has balances an limit, the low utilization is who has a higher more conse	become delinquent on a mortgage loan than a borrower who makes a small down payment or has a small amount of equity in the property. In other words, the higher the utilization, the more likely the borrower's mortgage will be delinquent.	DU may use a low utilization to identify in the loan.
Delinquent Accounts	Payroll history delin time were delin A past numl impa mort the c an a the e late p high year		Loan Amortization Type	Research has shown that there is a difference in loan performance based on the manner in which the mortgage amortizes. Fixed-rate mortgages will be viewed as representing less risk than adjustable-rate mortgages.
	Public Records, Foreclosures, and Collection Accounts	A credit history event that was bankruptcy judgments, to a collection	Occupancy Type	Performance statistics on investor loans are notably worse than those of owner-occupied or second home loans, especially at higher LTV ratios. Therefore, DU will assign a higher level of risk to all investment property transactions.
Mortgage Accounts	The more recent the impact information years for a significant t	The more recent the impact information years for a significant transaction.	Debt-to-Income Ratio	In DU's evaluation, generally, the lower the borrower's debt-to-income ratio (DTI ratio), the lower the associated risk. As the ratio increases, the level of risk also tends to increase; and a high ratio will have the greatest adverse impact on the recommendation when there are also other high-risk factors present.
	Inquiries	DU evaluates months of the inquiries can multiple inquiries frame because favorable loan risk and are Borrowers v or additional	Property Type	Another important factor that DU considers in the risk analysis is the collateral or property type. DU differentiates the risk based on the number of units, and in some cases the property type (e.g., manufactured home). The level of risk associated with each property type is as follows, starting with those property types representing the least amount of risk: <ul style="list-style-type: none">one-unit properties;two-, three-, and four-unit properties;manufactured homes.
	Borrower's Equity and LTV	The amount component borrower will considerabl	Co-borrowers	DU considers the number of borrowers (who have traditional credit) on a mortgage application in its evaluation because, generally, the presence of more than one borrower with traditional credit helps to reduce risk. Research has shown that mortgages that have more than one borrower tend to have a lower delinquency rate than mortgages with one borrower. However, additional borrowers tend to reduce risk only when they have good credit histories.
	Loan Term	Research has shown that it is better to finance a loan with a longer term than a shorter term.		No change.

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DU/DO Release Notes DU Version 10.0 - Appendix A



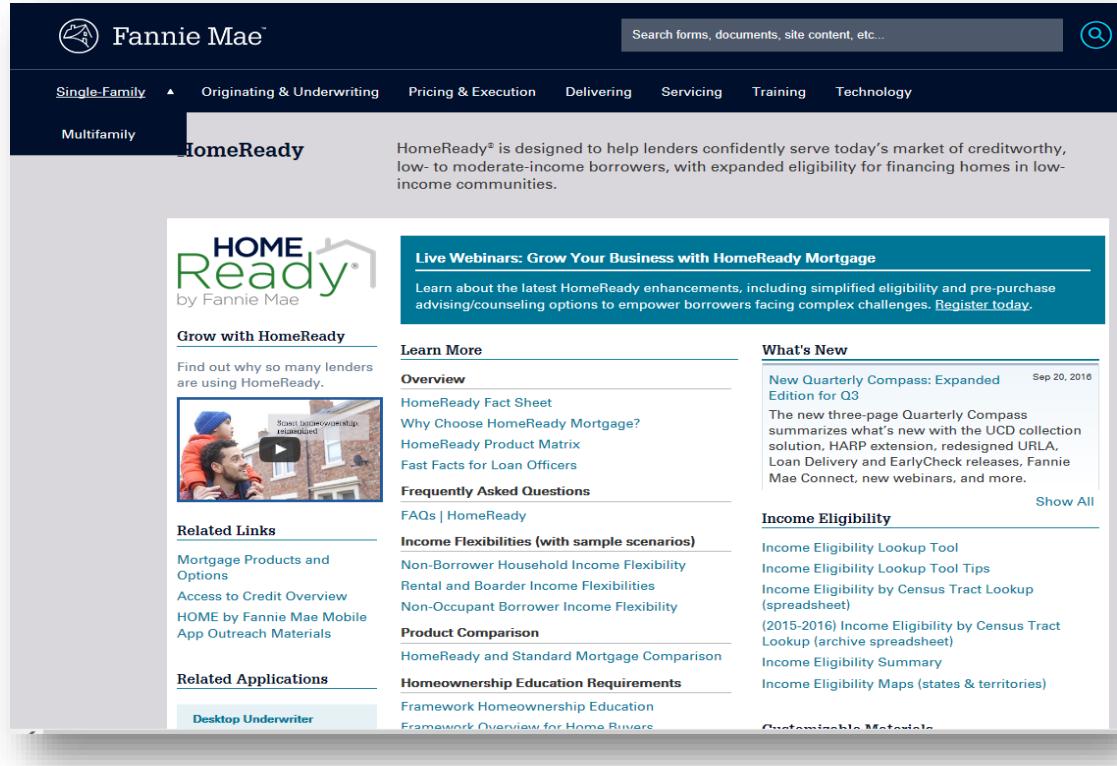
Name & Address of Employer	<input checked="" type="checkbox"/> Self Employed	Yrs. on this job
		Yrs. employed in this line of work/profession
Position/Title/Type of Business	Business Phone (incl. area code)	

Self-Employment	Not a risk factor in DU Version 9.3.	<p>Self-employment income can vary from year to year, and because of the increased chance of uneven cash flows, self-employment introduces an additional layer of risk to a mortgage loan application that is not present with salaried borrowers. Research has shown that self-employed borrowers tend to default on their mortgages more often than salaried borrowers, when all other risk factors are held constant.</p> <p>DU will take this additional risk into consideration when the only borrower on the loan is self-employed as his/her primary source of income, or when two of the borrowers on the loan are self-employed as their primary source of income.</p>

Fannie Mae HomeReady®

HomeReady

- Replaces MCM
- Designed for low-to moderate income borrowers
- See HomeReady webpage for more details
- See Genworth Training on this specific product for further information



The screenshot shows the Fannie Mae website with the HomeReady section highlighted. The page features the HomeReady logo and a video thumbnail. It includes sections for 'Live Webinars', 'Learn More' (with links to Overview, Fact Sheet, and Product Matrix), 'Frequently Asked Questions', 'Related Links' (with links to Mortgage Products and Options, Access to Credit Overview, and more), 'Related Applications' (with a link to Desktop Underwriter), and 'What's New' (with a link to the Quarterly Compass). The URL at the bottom is <https://www.fanniemae.com/singlefamily/homeready?cmpid=sln082515>.

General Lender Requirements

When underwriting loans with DU, the lender must:

- Employ prudent underwriting judgment
- Confirm the accuracy of the data it submits
- Ensure that the loan complies with all of the verification messages and approval conditions
- Apply due diligence when reviewing the documentation in the loan file
- Review the credit report to confirm the borrower's credit history was accurate and complete
- Determine if there is any potentially derogatory or contradictory information
- Take action when erroneous data, contradictory or derogatory information are in the loan file

Sample DU Findings Report

Review of the Different Findings Report Sections

DU Underwriting Findings

SUMMARY

Recommendation	Approve/Eligible	Co-Borrower	Mary Homeowner
Primary Borrower	John Homeowner	Casefile ID	1347546994
Lender Loan Number	JJ	Submitted By	a0837jna
Submission Date	09/15/2017 02:23PM	DU Version	10.1
First Submission Date	09/15/2017 02:16PM		
Submission Number	2		

Mortgage Information

LTV/CLTV/HCLTV	80.00% / 80.00% / 80.00%	Note Rate	4.250%
Housing Expense Ratio	7.73%	Loan Type	Conventional
Debt-to-Income Ratio	11.09%	Loan Term	360
Total Loan Amount	\$250000.00	Amortization Type	Fixed Rate
Sales Price	\$312500.00	Loan Purpose	Purchase
Actual/Estimated Appraised Value	\$312500.00	Refi Purpose	

Property Information

Property Address	2505 S Creek Street Mesa, AZ 85208	Number of Units	1
Property Type	Detached	Occupancy Status	Primary Residence

RISK/ELIGIBILITY

- 1 The risk profile of this loan casefile appears to meet Fannie Mae's guidelines.
- 2 This loan casefile appears to meet Fannie Mae's eligibility requirements.
- 3 The risk assessment of the loan casefile may not be accurate because the following accounts on the loan application did not have a minimum monthly payment and DU was unable to calculate an accurate debt-to-income ratio. The lender must ensure the DTI used in the risk assessment is accurate. If a payment must be included in the DTI, the payment amount must be entered on the loan application and the loan casefile resubmitted to DU. If the minimum monthly payment is \$0, the lender must include documentation in the loan file confirming the \$0 payment amount. Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For student loans, the lender may qualify the borrower with the \$0 payment if there is documentation to support that the \$0 payment is associated with an income-driven repayment plan; alternatively, the lender must either use 1% of the outstanding balance as the estimated payment or derive a fully amortizing payment using the student loan documentation.

Borrower	Creditor	Account Number	Balance
John Homeowner	SALLIE MAE	950254520	5000.00

FINDINGS

- 4 The following risk factors represent strengths in the borrower's loan application:

Analyzing Reports

SUMMARY: Contains “DU” Recommendation and Purchase Eligibility

FINDINGS SECTION: Indicates strengths in the file/loan application

VERIFICATION MESSAGE/APPROVAL CONDITIONS SECTION: Contains minimum DU requirements for documentation and potential red flag messages

OBSERVATIONS SECTION: Contains “FYI” for you and your lender

UNDERWRITING ANALYSIS REPORT: Modern 1008/Summary of the transaction

LENDER GUIDANCE FOR USE WITH APPLICANTS: Will appear only on Refer/w Caution Recommendation

REPRESENTATIONS AND WARRANTIES: **(NEW)** Will appear only when lender is relieved of certain reps/warranties (Day 1 certainty or Enforcement relief on property value)

Sample DU Findings Report

Summary Section

–Contains “Recommendation”

DU Underwriting Findings

SUMMARY			
Recommendation	Approve/Eligible	Co-Borrower	Mary Homeowner
Primary Borrower	John Homeowner	Casefile ID	1347546994
Lender Loan Number	JJ	Submitted By	a0837jna
Submission Date	09/15/2017 02:23PM	DU Version	10.1
First Submission Date	09/15/2017 02:16PM		
Submission Number	2		

Mortgage Information			
LTV/CLTV/HCLTV	80.00% / 80.00% / 80.00%	Note Rate	4.250%
Housing Expense Ratio	7.73%	Loan Type	Conventional

SUMMARY

Recommendation	Approve/Eligible
Primary Borrower	John Homeowner
Lender Loan Number	JJ
Submission Date	09/15/2017 02:23PM
First Submission Date	09/15/2017 02:16PM
Submission Number	2

Co-Borrower

Casefile ID	Mary Homeowner
Submitted By	1347546994
DU Version	a0837jna
	10.1

on the loan application did not have a minimum monthly payment and DU was unable to calculate an accurate debt-to-income ratio. The lender must ensure the DTI used in the risk assessment is accurate. If a payment must be included in the DTI, the payment amount must be entered on the loan application and the loan casefile resubmitted to DU. If the minimum monthly payment is \$0, the lender must include documentation in the loan file confirming the \$0 payment amount. Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For student loans, the lender may qualify the borrower with the \$0 payment if there is documentation to support that the \$0 payment is associated with an income-driven repayment plan; alternatively, the lender must either use 1% of the outstanding balance as the estimated payment or derive a fully amortizing payment using the student loan documentation.

Borrower	Creditor	Account Number	Balance
John Homeowner	SALLIE MAE	950254520	5000.00

FINDINGS

4 The following risk factors represent strengths in the borrower's loan application:

Recommendations

All other Recommendations have been discontinued

DU Recommendations
Approve/Eligible
Approve/Ineligible
Refer with Caution
Out of Scope
Error

Recommendations - Eligible

Approve/Eligible	
Eligible for Fannie Mae's limited waiver of certain mortgage loan eligibility and underwriting representations and warranties?	Yes, as long as the mortgage loan satisfies the applicable requirements related to limited waivers as described in this Guide. (See A2-2.1-04, Limited Waiver and Enforcement Relief of Representations and Warranties for Mortgages Submitted to DU.)
Satisfies Fannie Mae's credit risk standards/assessment?	Yes
Satisfies Fannie Mae's mortgage loan eligibility criteria?	Yes
Eligible for delivery to Fannie Mae?	Yes, if all approval conditions have been met.

Recommendations - Ineligible

Approve/Ineligible	
Eligible for Fannie Mae's limited waiver of certain mortgage eligibility and underwriting representations and warranties?	No (see A2-2.1-04, Limited Waiver and Enforcement Relief of Representations and Warranties for Mortgages Submitted to DU)
Satisfies Fannie Mae's credit risk standards/assessment?	Yes, assuming that there is no additional credit risk associated with the eligibility criteria that are not satisfied
Satisfies Fannie Mae's mortgage eligibility criteria?	No
Eligible for delivery to Fannie Mae?	No, unless the lender either resolves the issue that resulted in the ineligibility, or has a negotiated contract that specifically permits delivery of the mortgage (also stated as a negotiated variance in its Master Agreement that covers the ineligible condition specific to the loan transaction).

Recommendations - Refer with Caution

Refer with Caution	
Eligible for Fannie Mae's limited waiver of certain mortgage eligibility and underwriting representations and warranties?	No
Satisfies Fannie Mae's credit risk standards/assessment?	No, not the standards for DU loans
Satisfies Fannie Mae's mortgage eligibility criteria?	No, not the eligibility criteria for DU loans
Eligible for delivery to Fannie Mae?	Not as a DU loan

Recommendations - Out of Scope

Out of Scope Recommendation

An Out of Scope recommendation indicates that DU is unable to underwrite the particular product, mortgage, or borrower described in the submission.

Any mortgage that receives an Out of Scope recommendation must be manually underwritten.

DU Out of Scope Recommendation

- DU is unable to underwrite the particular product, mortgage, or borrower described in the submission
 - Cash Out, Purchase and construction loans with a CLTV > 105%
 - Balloon Terms greater than 30 years

Mortgages that receives an Out of Scope recommendation in DU

- Must be manually underwritten per the *Selling Guide*; or
- Not delivered to Fannie Mae

Underwriting Borrowers Without Traditional Credit

DU Version 10.0 includes the ability to underwrite loan casefiles where no borrowers have a credit score.

A tri-merged credit report must be requested for all borrowers on the loan application.

- If the credit report indicates a credit score could not be provided for any of the borrowers due to insufficient credit, the loan may be eligible to be underwritten using DU Version 10.0

Note: Lenders must ensure that the credit report accurately reflects the borrower's information, such as the name, Social Security number, and current residence address of the borrower to confirm that the lack of traditional credit was not erroneously reported because incorrect information was used to order the credit report.

Underwriting Borrowers Without Traditional Credit – Eligibility Guidelines

For loan files where no borrowers have established traditional credit, DU will apply the following additional guidelines:

- Principal residence where all the borrowers will occupy the property
- One-unit property (not a manufactured home)
- Purchase or limited cash-out transaction
- Fixed-rate
- Conforming loan amount (may not be a high-balance loan)
- LTV, CLTV and HCLTV may not exceed 90%
- DTI must be less than 40%
 - DU will require the lender verify at least two non-traditional credit sources for each borrower, one must be housing-related
 - A 12 month history is required for each source
 - See Fannie Mae's *Selling Guide* for guidance

Loan Casefiles That Do Not Meet These Guidelines Will Receive An “Out Of Scope” Recommendation

These loans may still be eligible for manual underwriting to existing guidelines for non-traditional credit

Verifying Housing Payments

B3-5.4-03: Verification and Documentation of Alternative Credit

Documenting Rental Housing Payments

If the source of verification for a borrower's rental housing payments is a party other than a professional management company, the lender must obtain 12 months of canceled checks or other evidence of timely payment of the rent—for example, bank statements showing the rental payment being paid each month.

If canceled checks or other evidence of timely payment of rent are not available, the lender (or the credit reporting agency) must check appropriate public landlord-tenant records for the past two years for court filings, judgments, evictions, and dismissal of eviction actions. Third-party vendors may be used to conduct the public records checks.

Public record checks that yield no evidence of court findings, judgments, or evictions are only verification that the payments were made at some point. This verification is not considered to be definitive evidence that rental payments were made in a timely manner. Consequently, the checking of public records cannot be considered as one of the three or four credit sources required to establish a nontraditional credit history. The lender must still verify that the borrower has met the required minimum number of sources of nontraditional credit.

DU Version 10.0

Frequently Asked Questions

During the weekend of June 25, 2016 Fannie Mae will implement Desktop Underwriter® (DU®) Version 10.0. The changes included in this release will apply to new loan casefiles submitted to DU on or after the weekend of June 25, 2016.

Q17. When the borrower without traditional credit lives rent-free and does not have a housing-related source of nontraditional credit, could the loan be eligible for delivery to Fannie Mae?

Borrowers who do not have credit scores and are relying on nontraditional credit sources to qualify must document a housing-related source of nontraditional credit. If the borrower is not able to document a rental history as a source of nontraditional credit, the loan is not eligible for delivery to Fannie Mae.

NOTE: For borrowers that have traditional credit, a housing-related credit reference is not required.

Sample DU Findings Report

Summary Section

–Mortgage Information

DU Underwriting Findings

SUMMARY

Recommendation	Approve/Eligible	Approve/Eligible	Co-Borrower	Mary Homeowner
Primary Borrower	John Homeowner	John Homeowner	Casefile ID	1347546994
Lender Loan Number	JJ	JJ	Submitted By	a0837jna
Submission Date	09/15/2017 02:23PM	09/15/2017 02:23PM	DU Version	10.1
First Submission Date	09/15/2017 02:16PM			
Submission Number	2			

Mary Homeowner
1347546994
a0837jna
10.1

4.250%
Conventional
360
Fixed Rate
Purchase

1
Primary Residence

SUMMARY

Recommendation	Approve/Eligible
Primary Borrower	John Homeowner
Lender Loan Number	JJ
Submission Date	09/15/2017 02:23PM
First Submission Date	09/15/2017 02:16PM
Submission Number	2

Co-Borrower

Mary Homeowner

Casefile ID

1347546994

Submitted By

a0837jna

DU Version

10.1

Mortgage Information

LTV/CLTV/HCLTV	80.00% / 80.00% / 80.00%	Note Rate	4.250%
Housing Expense Ratio	7.73%	Loan Type	Conventional
Debt-to-Income Ratio	11.09%	Loan Term	360
Total Loan Amount	\$250000.00	Amortization Type	Fixed Rate
Sales Price	\$312500.00	Loan Purpose	Purchase
Actual/Estimated Appraised Value	\$312500.00	Refi Purpose	

e's guidelines.

irements.

cause the following accounts
ent and DU was unable to
ure the DTI used in the risk
II, the payment amount must
ited to DU. If the minimum
in the loan file confirming the
ed as part of the borrower's
r may qualify the borrower
e \$0 payment is associated
must either use 1% of the
amortizing payment using the

Borrower	Creditor	Account Number	Balance
John Homeowner	SALLIE MAE	950254520	5000.00

FINDINGS

4 The following risk factors represent strengths in the borrower's loan application:

ARM Qualifying Rate

Updated Qualifying Rate Requirements

DU Version 9.1 will qualify all 7/1 and 10/1 Fannie Mae ARMs at the greater of the fully indexed rate or note rate. DU will use the following interest rates to determine the proposed PITI used when qualifying the borrower:

Mortgage Type	Qualifying Interest Rate
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 <i>ARM Qualifying Rate</i> field. If an interest rate is not entered, DU uses the note rate + 2.0%.

¹ The fully indexed rate is defined here as the index plus the margin as entered in the online loan application. The index and margin are required for all Fannie Mae ARM loans submitted to DU.

DU 10.1 ARM LTVs Are Aligned With Fixed Rate LTVs Requirements

Sample DU Findings Report

Risk/Eligibility

- Why loan is ineligible
- How file was underwritten (if a specific product/program)
- Potential inaccuracies

RISK/ELIGIBILITY

- 1 The risk profile of this loan casefile appears to meet Fannie Mae's guidelines.
- 2 This loan casefile appears to meet Fannie Mae's eligibility requirements.
- 3 The risk assessment of the loan casefile may not be accurate because the following accounts on the loan application did not have a minimum monthly payment and DU was unable to calculate an accurate debt-to-income ratio. The lender must ensure the DTI used in the risk assessment is accurate. If a payment must be included in the DTI, the payment amount must be entered on the loan application and the loan casefile resubmitted to DU. If the minimum monthly payment is \$0, the lender must include documentation in the loan file confirming the \$0 payment amount. Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For student loans, the lender may qualify the borrower with the \$0 payment if there is documentation to support that the \$0 payment is associated with an income-driven repayment plan; alternatively, the lender must either use 1% of the outstanding balance as the estimated payment or derive a fully amortizing payment using the student loan documentation.

Borrower	Creditor	Account Number	Balance
John Homeowner	SALLIE MAE	950254520	5000.00

Sample DU Findings Report

Verification Message/Approval Conditions

- “Heart “of the Findings Report
- Provides minimum documentation
- Refer to the *Selling Guide* for more
- Follow specific investor overlays, if applicable
- Genworth MI Simply Underwrite for your DU Approve/Eligible loans



VERIFICATION MESSAGES/APPROVAL CONDITIONS

- 5 According to the Social Security Administration (SSA), the Social Security number (SSN) for John Homeowner either has not been issued, or was recently issued. The SSN accuracy must be confirmed, and if incorrect, the SSN must be updated and the loan casefile resubmitted to DU. If the SSN is determined to be correct, it must be validated directly with the SSA (direct validation by a third party is acceptable), and the loan must be delivered with SFC 162. If the SSN cannot be validated with the SSA, the loan is not eligible for delivery to Fannie Mae.
- 6 This loan is also subject to all other lender specified conditions and must comply with all applicable federal, state, and local laws and regulations.
- 7 Based on the credit report obtained through Desktop Underwriter, this loan casefile must close on or before 01/01/2018. All credit documents must be no more than four months old on the note date. For guidelines on the age of the appraisal or property inspection report, refer to the Fannie Mae Selling Guide.

We Will Review These Messages In Detail On The Next Few Slides

Sample DU Findings Report

Verification Messages Broken out by Topic:

–General messages

- Potential Red Flag Messages
- Document Expiration date
- MI requirements

–Credit and Liabilities

- Bankruptcy, foreclosures, charge offs
- Late pays

–Employment and Income

- Documentation requirements

–Assets and Reserves

- Amount to verify
- Liquidation

–Property and Appraisal Information

- Appraisal Type
- Project Review Type

Potential Red Flags

Messages Must Be Cleared

- Provides message text
- Why message appeared
- Possible ways to clear or resolve

 Fannie Mae

Desktop Underwriter Potential Red Flag Messages

April 1, 2013

This document is intended to provide greater clarity around what causes Desktop Underwriter® (DU®) to return each potential red flag message and our recommended approach for reviewing information when each of these messages is received. The appearance of these messages does not affect the underwriting recommendation from DU. Rather they are designed to help lenders detect inconsistencies and potentially fraudulent transactions. Furthermore, the absence of any of the following messages does not indicate or imply Fannie Mae's acceptance of the accuracy of the data submitted to DU, including the appraised value (either the estimated or actual value). Lenders continue to be responsible for the accuracy of the data entered and, when DU requires an appraisal, for the property appraisal representations and warranties.

Potential Red Flag	Message Text	What Causes DU to Return This Message?	We Recommend Careful Review of the Following:
Excessive resubmissions	<i>This loan has experienced an unusually high number of submissions. Excessive submissions can indicate improper manipulation of loan application data. We recommend that you review the loan application to ensure accuracy.</i>	An unusually high number of submissions on the loan transaction in combination with changes to certain data elements.	<ul style="list-style-type: none">• Appraisal:<ul style="list-style-type: none">◦ to ensure that the comps used are for valid comparable properties;◦ for information about additions or renovations made to the subject property since the last purchase or refinance transaction that may have increased the property value.• Credit documents to check the accuracy and integrity of the borrower's asset and income data.
Liabilities comparison	<i>According to the credit report, the total payments and balances declared on the 1003 differ by more than expected tolerances. Verify that all liabilities belonging to the borrowers are disclosed on the 1003 and that the balances and payments are accurate.</i>	Total liabilities and payments reported on the credit report differ from those declared on the online loan application by more than expected tolerances.	<ul style="list-style-type: none">• On-line loan application:<ul style="list-style-type: none">◦ to ensure that all liabilities and payments are being accurately reflected from the credit report;◦ to determine if one or more liabilities has been removed from the online loan application versus omitted from the total expense calculation.
Manufactured home caution	<i>Desktop Underwriter has identified this property as a manufactured home in</i>	The subject property address appears to be a manufactured home.	<ul style="list-style-type: none">• Appraisal to see if the property type is identified as a manufactured home. Obtain

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4.1.2013 1

<https://www.fanniemae.com/content/tool/du-potential-red-flag-message-matrix.pdf>

Sample DU Findings Report

Verification Messages Broken out by Topic:

- Sample Potential Red Flag message
 - Social Security Alerts

VERIFICATION MESSAGES/APPROVAL CONDITIONS

- 10 According to the Social Security Administration (SSA), the Social Security Number (SSN) entered for Mary Homeowner may not be associated with him/her. The SSN accuracy must be confirmed, and if incorrect, it must be updated and the loan casefile resubmitted to DU. If the SSN is determined to be correct, it must be validated directly with the SSA (direct validation by a third party is acceptable), and the loan must be delivered with SFC 162. If the SSN cannot be validated with the SSA, the loan is not eligible for delivery to Fannie Mae.

Sample DU Findings Report

Verification Messages Broken out by Topic:

–Sample general messages

- Document Expiration date (*Notice it is four months, not 120 days*)
- MI coverage requirements would be found under “Verification Messages”, if applicable

VERIFICATION MESSAGES/APPROVAL CONDITIONS

- 5 According to the Social Security Administration (SSA), the Social Security number (SSN) for John Homeowner either has not been issued, or was recently issued. The SSN accuracy must be confirmed, and if incorrect, the SSN must be updated and the loan casefile resubmitted to DU. If the SSN is determined to be correct, it must be validated directly with the SSA (direct validation by a third party is acceptable), and the loan must be delivered with SFC 162. If the SSN cannot be validated with the SSA, the loan is not eligible for delivery to Fannie Mae.
- 6 This loan is also subject to all other lender specified conditions and must comply with all applicable federal, state, and local laws and regulations.
- 7 Based on the credit report obtained through Desktop Underwriter, this loan casefile must close on or before 01/01/2018. All credit documents must be no more than four months old on the note date. For guidelines on the age of the appraisal or property inspection report, refer to the Fannie Mae Selling Guide.
- 8 If there is a home equity line of credit secured against the subject property the maximum allowable HCLTV is 97 percent and the terms of the home equity line of credit must be verified for compliance with the Fannie Mae Selling Guide. The HCLTV calculation is based on the maximum credit limit of the equity line.
- 9 Loan Level Price Adjustment may be applied when this loan is delivered to Fannie Mae. Refer to the Selling Guide and Loan-level Price Adjustment (LLPA) Matrix on fanniemae.com for specific details.



Credit and Liability Messages

Verification Messages Broken out by Topic:

–Credit and Liabilities

- Bankruptcy, foreclosures, charge offs, late pays, omitted accounts
- What accounts were indicated as “to be paid off”
- Mortgage that need additional attention

Credit and Liabilities

11 With the exception of 30-day accounts, evidence of payoff of the following debts must be included in the loan file.

Borrower	Creditor	Account Number	Balance
John Homeowner	UNIVERSAL VISA	6011785239	950.00

12 The following accounts listed on the loan application were omitted from the underwriting calculations. For each liability that belongs to the borrower, provide documentation that supports the omission. If any of these accounts will be paid prior to or at closing, those accounts must not be omitted, but marked paid by closing and the loan casefile must be resubmitted to DU.

Significant Derogatory Credit Events

B3-5.3-07, Significant Derogatory Credit Events - Waiting Periods and Re-establishing Credit (07/29/2014)

Summary — All Waiting Period Requirements

The following table summarizes the waiting period requirements for all significant derogatory credit events.

Derogatory Event	Waiting Period Requirements	Waiting Period with Extenuating Circumstances
Bankruptcy — Chapter 7 or 11	4 years	2 years
Bankruptcy — Chapter 13	<ul style="list-style-type: none">2 years from discharge date4 years from dismissal date	<ul style="list-style-type: none">2 years from discharge date2 years from dismissal date
Multiple Bankruptcy Filings	5 years if more than one filing within the past 7 years	3 years from the most recent discharge or dismissal date
Foreclosure ¹	7 years	<p>3 years Additional requirements after 3 years up to 7 years:</p> <ul style="list-style-type: none">90% maximum LTV ratios²Purchase, principal residenceLimited cash-out refinance, all occupancy types
Deed-in-Lieu of Foreclosure, Preforeclosure Sale, or Charge-Off of Mortgage Account	4 years	2 years

Not ALL Lenders Allow For Extenuating Circumstances

Selling Guide

B3-5.3-09: DU Credit Report Analysis (03/31/2015)

Event	Measurement of Waiting Period
Bankruptcy Foreclosure	<ul style="list-style-type: none">• If the completion, discharge, or dismissal dates (as applicable) reflected in the credit report are complete and appear to comply with the applicable waiting period requirements, DU will issue a recommendation, but the lender must still confirm that the waiting period has been met and may base its determination on the disbursement date of the new loan.• If the completion, discharge, or dismissal dates (as applicable) reflected in the credit report are complete, but do not appear to comply with the applicable waiting period requirements, a Refer with Caution recommendation will be issued. DU uses the date of the credit report to determine whether or not the applicable waiting period has been met. The lender may obtain an updated credit report and resubmit the loan casefile to DU after the required time has elapsed or manually underwrite the loan using the disbursement date to confirm that the waiting period has been met.• If the completion, discharge, or dismissal dates (as applicable) reflected in the credit report are incomplete, the lender must confirm that the waiting period has been met and may base its determination on the disbursement date of the new loan.
Deed-in-Lieu of Foreclosure Preforeclosure Sale Mortgage Charge-Off	<ul style="list-style-type: none">• DU is not able to determine when the event occurred. Therefore, it is not able to confirm if the applicable waiting period has been met.• The lender must confirm the waiting period requirement has been met, and may base its determination on the disbursement date of the new loan.

Selling Guide

B3-5.3-09: DU Credit Report Analysis (03/31/2015)

Prior Bankruptcy, Foreclosure, Deed-in-Lieu of Foreclosure, Preforeclosure Sales, and Charge-Off of Mortgage Accounts

Per the requirements of [B3-5.3-07, Significant Derogatory Credit Events — Waiting Periods and Re-establishing Credit](#), an amount of time must elapse (the "waiting period") after a significant derogatory credit event before the borrower is eligible for a new loan salable to Fannie Mae. The waiting period commences on the completion, discharge, or dismissal date (as applicable) of the derogatory credit event and ends on the disbursement date of the new loan. Because DU does not have the disbursement date of the subject loan, DU uses the date of the credit report to measure whether or not the applicable waiting period has been met. However, because the credit report date may not result in an accurate calculation of the waiting period (it is earlier than the disbursement date), the lender may use the disbursement date to confirm that the waiting period has been met. See the table below for additional information.



Treatment of Timeshares

Certain timeshare installment loans are reported in the credit report data as mortgage-related. In DU Version 10.0, these agreements would be considered a mortgage and the appropriate mortgage delinquency requirements are applied. DU Version 10.1 will treat all timeshare loans as installment loans.

**Waiting Period Is Defined As Event Completion To Loan Disbursement Date
(Remember DU Does NOT Know The Disbursement Date)**

Credit Update

Civil Judgements and Tax Liens on Credit Reports

- Most civil judgements and tax liens will not appear on the credit report
- Minimal impact to credit scores
- DU does NOT use credit scores
- Existing policy remains that require judgments, tax liens to be paid off prior to or at closing
- The *Selling Guide* defines lender responsibilities and requirements for payoff of liens, judgments and undisclosed liabilities



Lender Letter LL-2017-02



To: All Fannie Mae Single-Family Sellers and Servicers Changes to the Reporting of Civil Judgments and Tax Liens on Credit Reports

Background

The three nationwide consumer credit reporting agencies (CRAs) – Equifax, Experian, and TransUnion – have announced plans to implement a public record data standard effective in July 2017 that is designed to improve the accuracy of credit reports. The changes are expected to impact the types of delinquent credit identified on credit reports.

With implementation of the CRAs' [National Consumer Assistance Plan](#) (NCAP), most civil judgments and tax liens will no longer be included in credit reports. The CRAs have stated that any impact to credit scores will be minimal, and that there will be no impact to foreclosure and bankruptcy data on credit reports.

This Lender Letter provides clarifications in response to questions we have received from lenders about how the credit report changes will impact the Desktop Underwriter® (DU®) risk assessment, our requirements, and lenders' responsibilities.

Reliability of DU's Risk Assessment

Lenders can continue to rely on the DU risk assessment and recommendation. DU uses judgment and lien information from credit reports as part of the comprehensive risk assessment. If the information is available on the credit report, DU will continue to use the information as part of the risk assessment. As a reminder, credit scores are not considered in DU's comprehensive risk assessment (see [Selling Guide B3-5.3-09, DU Credit Report Analysis](#)).

To assess the impact to DU of the credit reporting changes, we simulated the expected results of the changes to the reporting of judgments and tax liens on the credit report (including the absence of this information). Our analysis indicates that, even when these items are not visible to DU and therefore not considered as part of the risk assessment, the overall impact to the DU recommendation will be small and lenders can continue to have full confidence in DU's risk assessment and Approve/Eligible recommendations.

Loan Quality Center Post Acquisition Review Process

We are updating our Loan Quality Center's (LQC) post acquisition file review process appropriately to take into consideration the changes made by the credit bureaus. If during our review, we find a loan that has a lien or judgment that was not observable from the lender's origination file, we will cite a finding only. When our LQC cites a finding – and not a significant defect – it is to make the lender aware of this information. Noting a finding is consistent with one of our primary file review objectives of providing feedback to lenders to continuously improve the loan manufacturing process. The finding will also allow us to track the effects of the credit report changes and inform us of the potential need for any possible adjustments to this policy in the future.

As is the case today, we will rely on life of loan representations and warranties as the resolution if there is a clear title and first-lien enforceability issue identified subsequent to the post acquisitions review process even if a finding was initially cited. See [Selling Guide A2-2.1-07, Life-of-Loan Representations and Warranties](#) for additional information.

Disputed Tradelines and DU 10.1



- When DU issues an Approve/Eligible recommendation using the disputed trade lines:
 - Include the payment, if any, in the DTI but no further documentation is required.

The following tradeline(s) were identified by DU as disputed by the borrower. Because DU issued an Approve recommendation when including the disputed information in the credit risk assessment, no further action is necessary.

Creditor	Account Number	Account Type
ABC Creditor	123456789	Installment

- When the loan casefile does not receive an Approve recommendation using the disputed trade line, risk will be assessed with the trade line EXCLUDED and DU will issue the message below:

The following tradeline(s) were identified by DU as disputed by the borrower. Because DU was not able to issue an Approve recommendation when including the disputed information in the credit risk assessment, the lender must determine if the disputed account belongs to the borrower and confirm the accuracy and completeness of the information on the tradeline. If the borrower is not responsible for the account or the information on the tradeline does not accurately and completely report the account, no further action is necessary regarding the disputed tradeline. If the borrower is responsible for the account and the tradeline information accurately and completely reports the account, the lender may manually underwrite the loan if the transaction is eligible for manual underwriting.

Note: Tradelines reported as medical debt (Account Type Code of MD or Remarks Code of E0166) will not be shown in the disputed tradeline message if also reported as disputed, and lenders will not be required to investigate the disputed medical tradeline.

Authorized Users

Credit Processing Continued...

- Authorized User Accounts: DU considers authorized user accounts in its credit risk assessment. FICO scores may be impacted but DU's risk engine looks at the trade lines and makes a credit recommendation.
- Lenders should underwrite without the benefit of these trade lines *unless* your borrower is the authorized user and you have confirmed they have been making the payments on the account.

DU has identified the following credit report tradelines as accounts belonging to an authorized user:

Creditor	Account Number
Creditor Name	123456789

Accounts Paid off at Closing

- Funds must be verified to pay off the account (if indicated in DU loan to be paid, DU will add amount to be verified); Underwriters will use discretion and MAY include a payment even if the account is being paid off.

Effective May 6, 2015 only payoff is required, accounts may remain open after closing; DU will issue a message that lenders can disregard until DU is updated

loan file.

Borrower	Creditor	Account Number	Balance
john homeowner	SALLIE MAE	950254520	5000.00

Credit and Liabilities

For loan casefiles underwritten through DU

- DU determines the maximum allowable debt-to income ratio based on the overall risk assessment of the loan casefile
- DU will apply a maximum allowable total expense ratio of 50% for non-HARP loans

MORTGAGE INFORMATION

Loan Type	Conventional
Amortization Type	Fixed Rate
Balloon	No
Community Lending	No
Payment Frequency	Monthly
Lien Type	First Mortgage

Amt. Subordinate Fin. \$0.00

Loan Purpose

Refi Purpose

Owner Existing M.

Buydown

Maximum Allowable DTI

The maximum allowable debt-to-income ratio (DTI) in DU will be adjusted in DU Version 10.1. Under the adjustment, DU will consider applications with a maximum DTI of 50%. For DTIs above 45% and up to 50%, DU will no longer require certain additional compensating factors. If the DTI on a loan casefile exceeds the maximum allowable DTI of 50%, the loan casefile will receive an Ineligible recommendation.

DU Refi Plus™ loan casefiles submitted to DU Version 10.1 will continue to be subject to the maximum allowable DTI applied to DU Refi Plus loan casefiles in DU Version 10.0.



Credit and Liabilities

The total monthly obligation is the sum of the following:

- Monthly housing expense (PITI)
- Monthly payments on installment debts and other mortgage debts that extend beyond ten months (including deferred installment loans);
- Monthly payments on revolving debts (unless evidence paid off)
 - If debt (all types) verified paid by someone else for at least 12 months the payment may be excluded; Policy includes all types of debts including mortgages
 - Payment history must have no history of delinquencies in the most recent 12-month period

Mortgages Paid by Others

In our April *Selling Guide* Announcement SEL-2017-04, we simplified our requirements for excluding non-mortgage debts from the DTI ratio when the monthly payment is paid by another party. With this update, we are addressing mortgages paid by others. When a borrower is obligated on a mortgage debt – but is not the party who is actually repaying the debt – the lender may exclude the monthly mortgage payment from the calculation of the DTI ratio if the party making the payments is obligated on the mortgage debt and can document the most recent 12-month payment history with no delinquencies.

SEL 2017-06

- *Continued on next slide.....*

Credit and Liabilities...cont

The total monthly obligation....cont

- 30 Day charge accounts -monthly balance will not be calculated in the DTI, but included as reserves in the “required funds to be verified”
- Do not omit or mark paid by close
 - Verify MOP is “O” on credit report and mapped correctly into DU

26 The balances of the following 30-day accounts listed on the loan application were included in the amount of reserves required to be verified. However, on transactions where reserves are not required to be verified, the 30-day account amount required to be verified will be reduced by any cash-out that the borrower will receive through the transaction. If the funds needed to payoff the account are not available due to the borrower paying off the 30-day account prior to loan closing, the lender must provide documentation that the account was paid in full, and omit the account from the online loan application in order for the balance to be excluded from the amount of reserves required to be verified. If the funds are not available and the account has not yet been paid off prior to closing, the lender must document that the borrower has sufficient assets from eligible sources to payoff the account.

Borrower	Creditor	Account Number	Balance
John Homeowner	Thirty Day Account		200.00

- Monthly payments on lease agreements, regardless of expiration date of lease;
- Any net rental loss from a rental property
- Properties owned free and clear still have tax and insurance that must be documented and included

Credit and Liabilities...cont

Student Loans – Is it Deferred or in Repayment?

– Student Loans in repayment:

- Use the actual payment documented from credit report; If no payment listed or incorrect
 - Use verified loan terms from student loan lender or
 - Documentation supplied by the borrower or
 - Or verify loan is an income based repayment IBR and there is a zero payment due

– Student Loans Deferred:

- A payment equal to 1% of the outstanding student loan balance, or
- A fully amortizing payment using the documented loan repayments terms

Student Loans

If a monthly student loan payment is provided on the credit report, the lender may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the lender may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower.

If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, the lender must determine the qualifying monthly payment using one of the options below.

- If the borrower is on an income-driven payment plan, the lender may obtain student loan documentation to verify the actual monthly payment is \$0. The lender may then qualify the borrower with a \$0 payment.
- For deferred loans or loans in forbearance, the lender may calculate
 - a payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or
 - a fully amortizing payment using the documented loan repayment terms.

Credit and Liabilities

The total monthly obligation is the sum of the following:

- Monthly alimony, child support, or maintenance payments that extend beyond ten months

SEL 2017-06 allows option to reduce income by the monthly Alimony obligation in lieu of a liability

Alimony Treatment

We are updating the Guide to allow more flexibility on the treatment of alimony paid by the borrower. Lenders will now have the option of reducing the borrower's monthly qualifying income by the amount of the monthly alimony payment in lieu of including it as a monthly payment in the calculation of the debt-to-income (DTI) ratio. Going forward, lenders may choose to use either option – reducing income or treating it as a debt – when qualifying borrowers.

When using the option of reducing the borrower's monthly qualifying income by the monthly alimony payment, enter the adjusted income figure as the income amount in DU. In this case, the lender can disregard the DU message requiring inclusion of the alimony obligation as a monthly liability that is issued whenever the borrower declares on the loan application that they are obligated to pay alimony. The lender must still obtain documentation confirming the amount of the alimony obligation.

- Business debt in the borrower's name unless-
 - the account in question does not have a history of delinquency,
 - the business provides acceptable evidence that the obligation was paid out of company funds (such as 12 months of canceled company checks), and
 - the lender's cash flow analysis of the business took the obligation into consideration

Read The Verification Messages

Income Verification Messages

Employment and Income

- 13 Alimony or child support must be verified with one of the following documents: divorce decree, separation agreement, court decree, any other legal agreement that describes the payment terms, or any applicable state law that requires such payments and specifies the conditions under which the payments must be made. For loan casefiles that are not underwritten as DU Refi Plus, the borrower must have a minimum 6-month documented history of the borrower's most recent regular and timely receipt of the full payment, and the lender must verify the income will continue for at least three years. Refer to the Fannie Mae Selling Guide for additional information.
- 14 If the Social Security income for John Homeowner is retirement or disability from the borrower's own Social Security Account, either proof of current receipt or the Social Security Administration's (SSA) award letter must be obtained. Supplemental Security Income must be verified with a copy of the SSA award letter and proof of current receipt. If the Social Security income is for Survivor Benefits, retirement, or disability for the benefit of another, the income must be verified with a copy of the SSA award letter, proof of current receipt, and any additional documentation required to confirm a three-year continuance. Refer to the Fannie Mae Selling Guide for additional information.
- 15 Document retirement, government annuity, or pension income for John Homeowner with one of the following documents: letters from the organization providing the income, retirement award letters, federal tax returns, IRS W-2 or 1099 forms, or a bank statement. Documentation of three year continuance is not required. For loan casefiles that are not underwritten as DU Refi Plus, if the retirement income is paid in the form of a monthly distribution from a 401(k), IRA, SEP, or Keogh retirement account (documentation of asset ownership must be in compliance with the Allowable Age of Documents policy), determine that the income will continue for at least three years after the date of the mortgage application.
- 16 Income from a second job is listed on the application for John Homeowner. The income must be supported by the most recent paystub and W-2s covering the most recent two-year period, or a fully completed standard Verification of Employment (1005). For DU Refi Plus loan casefiles, the income must be supported by one paystub. For guidance on borrowers with less than a two-year history of receiving income from a second job, or for any additional information on the verification of second job income, refer to the Selling Guide. Direct verifications provided by a third party employment verification vendor are acceptable if completed in accordance with the Selling Guide.

Borrower	Income Type	Amount
John Homeowner	Social Security income	1000.00
John Homeowner	Pension retirement income	1000.00
John Homeowner	Bonuses	2500.00
John Homeowner	Base employment income	4000.00
Mary Homeowner	Alimony child support income	500.00
Mary Homeowner	Commissions	6000.00

Fannie Mae Selling Guide

Continuance of Income

Expiration Date Not Defined	Defined Expiration Date*
<p>Lender does not need to document 3-year continuance</p> <ul style="list-style-type: none">• automobile allowance• base salary• bonus, overtime, commission, or tip income• capital gains income• corporate retirement or pension• disability income — long-term• foster-care income• interest and dividend income (unless other evidence that asset will be depleted)• military income• mortgage credit certificates• part-time job, second job, or seasonal income• rental income• self-employment income• Social Security, VA, or other government retirement or annuity	<p>Lender must document 3-year continuance</p> <ul style="list-style-type: none">• alimony or child support• distributions from a retirement account – for example, 401(k), IRA, SEP, Keogh• mortgage differential payments• notes receivable• public assistance• royalty payment income• Social Security (not including retirement or long-term disability)• trust income• VA benefits (not including retirement or long-term disability)

*Because these income sources have a defined expiration date or allow the depletion of an asset, care must be taken when this is the sole source or majority of qualifying income. Lenders must consider the borrower's continued capacity to repay the mortgage loan when the income source expires or the distributions will deplete the asset prior to maturation of the mortgage loan.

Income sources that are not listed above will require lender judgment to determine if documentation of continuance must be obtained.

See B3-3.1-01, General Income Information (07/25/2017)

Income and Employment

Most recent two years tax returns required when the borrower:

- Earns 25% or more of his or her income from commissions;
- Is employed by family members;
- Is employed by interested parties to the property sale or purchase;
- Receives rental income from an investment property (only one year of tax returns is required unless the borrower meets one or more of the other conditions in this list);
- Receives income from temporary or periodic employment (or unemployment) or employment that is subject to time limits, such as a contract employee or a tradesman
- Receives income from capital gains, royalties, real estate, or other miscellaneous non-employment earnings reported on IRS Form 1099;
- Receives income that cannot otherwise be verified by an independent and knowledgeable source;
- Uses foreign income to qualify;
- Uses interest and dividend income to qualify; or
- Receives income from sole proprietorships, limited liability companies, partnerships, or corporations, or any other type of business structure such as a Farm in which the borrower has a **25%** or greater ownership interest

Income and Employment

General Levels of Documentation: Base Earnings

- Recent pay stub dated within 30 days of application and the previous one or two years W-2
- Verbal verification of employment within 10 business days of closing or after closing but prior to loan delivery
- Or a written verification of employment (written VOE 1005) can be used in place of either of the above documentation, as long as it contains applicable information

Employment Documentation Provided by the Borrower's Employer

The lender may use the *Request for Verification of Employment* (Form 1005 or Form 1005(S)) to document income for a salaried or commissioned borrower. The date of the completed form must comply with [B1-1-03, Allowable Age of Credit Documents and Federal Income Tax Returns](#).

The information on the Form 1005 or Form 1005(S) must be legible. The following fields on the form are optional:

Field #	Title of Optional Field
11	Probability of continued employment
14	If overtime or bonus is applicable, is its continuance likely?
16	Date of applicant's next pay increase
17	Projected amount of next pay increase
18	Date of applicant's last pay increase
19	Amount of last pay increase
24	Reason for leaving (Part III — Verification of Previous Employment)

The remaining fields on the form must be completed as applicable to the borrower. For example, overtime may not be completed if the borrower is in a position that does not pay overtime.

Income and Employment

General Levels of Documentation: Bonus and Overtime

- Recent pay stub dated within 30 days of application and W-2's for past two years and a verbal verification of employment
- Or a written verification of employment (Written VOE 1005) can be used in place of either of the above documentation as long as it contains applicable info
- See additional requirements for “Variable” income in the Fannie Mae 2017 Seller Guide Section B3-3.1-01, General Income Information

20 John Homeowner's income, including bonus and/or overtime income, must be supported by a paystub and W-2s covering the most recent two-year period, or by a standard Verification of Employment (1005). The paystub must be dated no earlier than 30 days prior to the initial loan application date and it must include all year-to-date earnings. Additionally, the paystub must include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained. If a standard Verification of Employment (1005) will be obtained it must include all year-to-date earnings, as well as prior year earnings if a W-2 is not being provided. For guidance on borrowers with less than a two-year history of receiving bonus income, or for any additional information on the verification of bonus income, refer to the Selling Guide. Direct verifications provided by a third party employment verification vendor are acceptable if completed in accordance with the Selling Guide.

Two or more years of receipt of a particular type of variable income is recommended; however, variable income that has been received for 12 to 24 months may be considered as acceptable income, as long as the borrower's loan application demonstrates that there are positive factors that reasonably offset the shorter income history.

Income and Employment

Commission income less than 25% of borrower's total annual employment income

- One recent pay stub, or
- Recent pay stub and the previous two years W-2
- Or a written verification of employment (Written VOE 1005) can be used in place of either of the above documentation as long as it contains applicable info

Commission income \geq 25% of borrower's total annual employment income

- Pay stub, W-2's and most recent signed federal tax returns for two years (per Fannie Mae *Seller Guide* policies); Lenders must review for unreimbursed (2106) business expenses
- If more than 60 days from the last filed tax return has passed, current income must be confirmed

Do Not Use Income If Borrower Qualifies Without

Income and Employment

General Levels of Documentation: Self-Employment

- Most recent one year personal and federal business tax returns (Only one year required for certain cases, but borrowers still must be self-employed for two years)
- Most recent two years personal and two years federal business tax returns **or**
- Profit and loss statement may be required by your investors or on a case by case basis
- Verbal VOE required to verify existence of a business within 120 calendar days of note date, or after closing but prior to loan delivery for all self employed borrowers

Self-Employment Income Documentation

The criteria that determines the documentation required to verify a self-employed borrower's income will be updated. The number of DU loan casefiles eligible for the one year of personal and business tax return documentation requirements will increase.



Self-Employed Messages & Documentation

General Levels of Documentation: Self-Employment

- Business returns can be waived if certain requirements are met
 - Borrower has been self employed in the same business for at least five years
 - Borrower's individual tax returns show an increase in self-employment income over the last two years; and
 - The borrower is paying the down payment and closing costs with his or her own funds, and is not using any funds from the business account

17 Mary Homeowner's self-employed income must be supported by business and personal tax returns covering the most recent two-year period, including all tax schedules, if it will be used for qualifying purposes. The requirement for business tax returns can be waived if (1) the borrower has been self-employed in the same business for at least five years, (2) the borrower's individual tax returns show an increase in self-employment income over the last two years, and (3) the borrower is paying the down payment and closing costs with his or her own funds, and is not using any funds from the business account to fund the transaction or satisfy applicable reserve requirements. For guidance on borrowers that have been self-employed less than two years, or for any additional information on the verification of self-employment income, refer to the Selling Guide.

Lenders May Still Need To Obtain Business Returns Even When The Above Criteria Has Been Met

Income and Employment

General Levels of Documentation: Self-Employment

- Business returns can be waived if certain requirements are met
 - Borrower has been self employed in the same business for at least five years
 - Borrower's individual tax returns show an increase in self-employment income over the last two years; and
 - The borrower is paying the down payment and closing costs with his or her own funds, and is not using any funds from the business account

17 Mary Homeowner's self-employed income must be supported by business and personal tax returns covering the most recent two-year period, including all tax schedules, if it will be used for qualifying purposes. The requirement for business tax returns can be waived if (1) the borrower has been self-employed in the same business for at least five years, (2) the borrower's individual tax returns show an increase in self-employment income over the last two years, and (3) the borrower is paying the down payment and closing costs with his or her own funds, and is not using any funds from the business account to fund the transaction or satisfy applicable reserve requirements. For guidance on borrowers that have been self-employed less than two years, or for any additional information on the verification of self-employment income, refer to the Selling Guide.

**Lenders May Still Need To Obtain Business Returns Even When
The Above Criteria Has Been Met**

Income and Employment

General Levels of Documentation: Retirement Income

- If a monthly distribution is received from 401(k), IRA, SEP or Keogh account the borrower must have unrestricted access to the accounts without penalty
- When funds are drawn from assets, stocks, bonds or mutual funds, you must factor potential volatility of the income stream

15 Document retirement, government annuity, or pension income for John Homeowner with one of the following documents: letters from the organization providing the income, retirement award letters, federal tax returns, IRS W-2 or 1099 forms, or a bank statement. Documentation of three year continuance is not required. For loan casefiles that are not underwritten as DU Refi Plus, if the retirement income is paid in the form of a monthly distribution from a 401(k), IRA, SEP, or Keogh retirement account (documentation of asset ownership must be in compliance with the Allowable Age of Documents policy), determine that the income will continue for at least three years after the date of the mortgage application.

Review Fannie Mae *Selling Guide* Section B3-3.1-09 For Complete Details On “Other” Sources Of Income

Employment Offer Message

DU 10.1 Effective July 29, 2017

- Additional policy updates to be provided in the future



Fannie Mae®

DU 10.1

Desktop Underwriter/Desktop Originator Release Notes
DU Version 10.1

May 30, 2017

During the weekend of July 29, 2017, Fannie Mae will implement Desktop Underwriter® (DU®) Version 10.1, which will include the changes described below.

The changes in this release will apply to new loan casefiles submitted to DU on or after the weekend of July 29, 2017. Loan casefiles created in DU Version 10.0 and resubmitted after the weekend of July 29 will continue to be underwritten through DU Version 10.0.

The changes in this release include updates to the following:

- DU Risk Assessment

Employment Offer Message

A new message will be issued to specify the requirements that apply to borrowers who have a contract to start a job, but will not begin employment before loan closing. Existing policy is also being updated to provide the option for delivery of the loan prior to the borrower starting employment when additional eligibility requirements are met.

On primary residence, one-unit, purchase transactions when the years and months on job in DU are 0 or blank, DU will issue a message specifying the requirements specific to these transactions. The message will indicate that if the lender does not obtain a paystub and confirm the borrower has started employment prior to delivery of the mortgage loan, the lender must confirm the loan meets the additional eligibility requirements of the updated policy, and that the loan must be delivered with SFC 707.

NOTE: The details of the updated policy will be provided in a future Selling Guide update.

DU will consider applications with a maximum DTI of 50%. For DTIs above 45% and up to 50%, DU will no longer require certain additional compensating factors. If the DTI on a loan casefile exceeds the maximum allowable DTI of 50%, the loan casefile will receive an Ineligible recommendation.

DU Refi Plus™ loan casefiles submitted to DU Version 10.1 will continue to be subject to the maximum allowable DTI applied to DU Refi Plus loan casefiles in DU Version 10.0.

Disputed Tradelines

DU Version 10.1 will include an updated risk assessment and messaging for loan casefiles for borrowers with disputed tradelines. DU will first assess the risk of the loan casefile using all tradelines reported as disputed by the borrower. When

Income and Employment

General Underwriting Requirements

- Lenders must review the “type” of income earned and entered in DU; income used for qualifying must be reasonably stable and likely to continue at the current levels. **RED FLAG:** Declining income
- Bonus and Overtime must be annualized or not used at all
- Commission Income must be entered as “commission” and any unreimbursed expenses from the IRS form 2106 should be subtracted when commission income is >25% of borrower’s employment income (SEL 2015-07)
- Employment by a relative or an interested party to the transaction requires applicant to provide tax returns regardless of the DU income documentation message
- Second Job must have a minimum typically of a two year history
- Enter self employed income in “base” income field & sure to mark the self employment box
- Non taxable sources of income can typically be grossed up 25% if evidence provided to verify the income is non-taxable
- Handwritten pay stubs, pay stubs that do not contain ytd income or “stale dated” pay stubs are typically not acceptable

Sample DU Findings Report

Verification Messages Broken out by Topic:

–Assets and Reserves

- Amount to verify, liquidation, discounting of value, documentation requirements

FUNDS	
Total Available Assets	\$350000.00
Funds Required to Close	\$72950.00
Reserves Required to be Verified	\$200.00
Total Funds to be Verified	\$73150.00

Assets

22 Assets totaling \$73150 must be verified. From the liquid assets listed on the 1003, at a minimum verify those accounts that are needed to satisfy this amount. Based on the transaction, there may be additional reserve requirements that must be manually applied by the lender. Refer to the Fannie Mae Selling Guide for additional information.

23 The value entered for the retirement account must be determined in accordance with the Selling Guide if the funds will be used for reserves. If these assets are needed to support the amount of funds required for closing and reserves, the available account balance must be documented with a recent depository or brokerage account statement. For loan casefiles that are not underwritten as DU Refi Plus, if the funds will be used for down payment or closing costs, receipt of the funds realized from the sale or liquidation of the assets is not required if the value (as determined in accordance with the Selling Guide) is at least 20% more than the amount of funds needed for the down payment and closing costs. Otherwise, receipt of funds realized from the sale or liquidation must be verified. Also for loan casefiles that are not underwritten as DU Refi Plus, if the account allows for withdrawals only in connection with the borrower's employment termination, retirement, or death; or the account does not allow for any type of withdrawal, the retirement asset should not be entered.

24 If depository assets are needed to support the amount of funds required and reserves, verify these assets with a verification of deposit or bank statements covering a two-month period. Refer to the Selling Guide for guidance on evaluating un-sourced large deposits. Direct verifications provided by a third party asset verification vendor are acceptable if completed in accordance with the Selling Guide.

Asset And Funds Sections

Summary Section Lists Total Assets Entered

35 The following assets were counted towards available funds. With the exception of cash on hand, all available funds greater than the amount required to close have been added to cash reserves.

Borrower	Asset Type	Institution Name	Amount
John Homeowner	Gift funds		20000.00
John Homeowner	Checking Account		50000.00
Mary Homeowner	Checking Account		30000.00
Mary Homeowner	Retirement		250000.00

FUNDS

Total Available Assets	\$350000.00	Cash Back	\$0.00
Funds Required to Close	\$72950.00	Net Cash Back	\$0.00
Reserves Required to be Verified	\$200.00	Excess Available Assets, not required to be verified by DU	\$276850.00
Total Funds to be Verified	\$73150.00		

Additional Reserves May Need To Be Verified If Paying Off Accounts, Collections Or Owns Multiple Properties

Assets and Reserves

Fannie Mae Borrower Contribution Policy

- Allows for personal gifts, and in some cases gifts or grants from an entity, employer assistance, and Community Seconds as minimum borrower contribution for certain transactions
- Gift funds are never allowed on Investment
- Gift letters will be required for all loans when gift funds are being used
- Proof of donor's ability and/or transfer to the borrower is required

Assets and Reserves

The following table describes the minimum borrower contribution requirements for transactions that contain gifts.

LTV, CLTV, or HCLTV Ratio	Minimum Borrower Contribution Requirement from Borrower's Own Funds	
80% or less	One- to four-unit principal residence Second home	A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.
Greater than 80%	One-unit principal residence	A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.
	Two- to four-unit principal residence Second home	The borrower must make a 5% minimum borrower contribution from his or her own funds. ¹ After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves. See B5-6-03, HomeReady Mortgage Underwriting Methods and Requirements , for HomeReady mortgage minimum borrower contribution and down payment requirements.

High Balance Loans Effective Dec 12, 2015 DO NOT Require Minimum Borrower Contribution For One Unit Properties

Assets and Reserves

Stocks, bonds and mutual funds for reserves

Stocks, Stock Options, Bonds, and Mutual Funds

Vested assets in the form of stocks, government bonds, and mutual funds are acceptable sources of funds for the down payment, closing costs, and reserves provided their value can be verified. The lender must verify the borrower's ownership of the account or asset. The value of the asset and any related documentation must meet the requirements outlined in the table below.

Asset Type	Determining the Value of the Asset
Stocks and mutual funds	<p>The lender must determine the value of the asset (net of any margin accounts) by obtaining either</p> <ul style="list-style-type: none">the most recent monthly or quarterly statement from the depository or investment firm; ora copy of the stock certificate, accompanied by a newspaper stock list that is dated as of or near the date of the loan application.
Stock options	<p>The value of vested stock options can be documented by</p> <ul style="list-style-type: none">a statement that lists the number of options and the option price, andusing the current stock price to determine the gain that would be realized from exercise of an option and the sale of the optioned stock. <p>Note: Non-vested stock options are not an acceptable source of funds for the down payment, closing costs, or reserves.</p>
Government bonds	The value of government bonds must be based on their purchase price unless the redemption value can be documented.

When used for the down payment or closing costs, if the value of the asset (as determined above) is at least 20% more than the amount of funds needed for the down payment and closing costs, no documentation of the borrower's actual receipt of funds realized from the sale or liquidation is required. Otherwise, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented.

When used for reserves, 100% of the value of the assets (as determined above) may be considered, and liquidation is not required.

Assets and Reserves

Retirement accounts (401k or IRA)

- The vested amount may be used for reserves
- If these assets are needed to support the amount of funds required for closing and reserves, the available account balance must be documented with a recent depository or brokerage account statement as well as the conditions under which the funds may be withdrawn
- If funds needed for closing, proof of liquidation and deposit/receipt is required unless the liquidation value is at least 20% more than the amount of funds needed.
- Retirement accounts that allow for withdrawals only in connection with the borrower's employment termination, retirement, or death, the retirement account asset should not be entered

23 The value entered for the retirement account must be determined in accordance with the Selling Guide if the funds will be used for reserves. If these assets are needed to support the amount of funds required for closing and reserves, the available account balance must be documented with a recent depository or brokerage account statement. For loan casefiles that are not underwritten as DU Refi Plus, if the funds will be used for down payment or closing costs, receipt of the funds realized from the sale or liquidation of the assets is not required if the value (as determined in accordance with the Selling Guide) is at least 20% more than the amount of funds needed for the down payment and closing costs. Otherwise, receipt of funds realized from the sale or liquidation must be verified. Also for loan casefiles that are not underwritten as DU Refi Plus, if the account allows for withdrawals only in connection with the borrower's employment termination, retirement, or death; or the account does not allow for any type of withdrawal, the retirement asset should not be entered.

Selling Guide SEL 2014-06

Large Deposit and Other Asset Policies

Fannie Mae last updated its policy on unsourced deposits in November of 2012. A key purpose of that policy change was intended to help mitigate the risk associated with a borrower incurring undisclosed debt that was not included in the calculation of the borrower's total monthly obligations. The current policy states that when bank statements, typically covering the most recent two months, are used, the lender must obtain a written explanation and documentation for the source of large deposits, defined as a single deposit that exceeds 25% of the total monthly qualifying income for the loan. However, this approach resulted in unintended consequences, particularly in documenting unsourced funds that were not needed to complete the mortgage transaction. Fannie Mae is revising this policy to focus only on those funds that are actually required for the transaction, which will continue to mitigate the risk while increasing efficiency for lenders. Other changes related to large deposits include the following:

- The policy is limited to purchase transactions.
- The definition of a large deposit has been changed from 25% of the total monthly qualifying income to 50%.
- When a deposit includes both sourced and unsourced (undocumented) portions, only the unsourced portion must be used in calculating whether the deposit meets the 50% definition.
- When the lender uses a reduced asset amount, net of the unsourced amount of a large deposit, that reduced amount must be used for underwriting purposes (whether the mortgage loan is underwritten manually or through DU).
- The use of business assets for a self-employed borrower as an acceptable source of funds for the down payment, closing costs, and financial reserves is also specifically addressed in this Guide update. The borrower must be listed as an owner of the account and the account must be verified in accordance with B3-4.2-01, Verification of Deposits and Assets. The lender must perform a business cash flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business.

Asset and Reserves

Updates

– Truncated Accounts Numbers



Selling Guide Announcement SEL-2017-04

April 25, 2017

Selling Guide Updates

The Selling Guide has been updated to include changes to the following:

- Student Loan Solutions
- Project Eligibility Review Waiver for Fannie Mae to Fannie Mae Limited Cash-Out Refinances
- Properties Listed for Sale in the Previous Six Months
- PERS Expiration Dates
- Truncated Asset Account Numbers
- Flash Settlement for Mortgage-Backed Securities
- Servicing Execution Tool Bifurcation Option Terms and Conditions
- Miscellaneous Selling Guide Update

Truncated Asset Account Numbers

We are updating our policy to permit truncated account numbers that display at least the last four digits of the borrower's asset account. This change will help provide a greater degree of protection of borrowers' non-public information.

Truncated or masked account numbers for bank and portfolio or investment accounts where at least the last four digits are displayed are permissible on the loan application, in DU, and on asset documentation, including verification reports obtained through the DU validation service.

Effective Date

This policy change is effective immediately.

We are simplifying our requirements for excluding non-mortgage debts from the debt-to-income ratio. Non-mortgage debts include debt such as installment loans, student loans, and other monthly debts as defined in the Guide.

If the lender obtains documentation that a non-mortgage debt has been satisfactorily paid by another party for the past 12 months, then the debt can be excluded from the debt-to-income ratio. This policy applies regardless of whether the other party is obligated on the debt.

NOTE: This policy does not apply if the other party is an interested party to the subject transaction (such as the seller or realtor).

Borrowers with Multiple Financed Properties

DU uses the number of financed properties to apply the following eligibility guidelines:

- A minimum credit score of 720 is required for borrowers with 7-10 financed properties
- Borrowers are limited to a maximum of 10 financed properties

Loan Information

FIPS Code	<input type="text"/>
Number of Financed Properties	<input type="text"/> 
Seller Provided Below Market Financing	<input type="checkbox"/>
First Year Buydown Rate	<input type="text"/> 0.000%
Lien Type *	<input type="text"/> First Mortgage 
Payment Frequency	<input type="text"/> Monthly 
Repayment Type	<input type="text"/> Fully Amortizing 
Subject Property Type *	<input type="text"/> Detached 
Balloon?	<input type="checkbox"/>
Balloon Mortgage Term (months)	<input type="text"/>

Borrowers with Multiple Financed Properties – Reserve Requirements

DU determines the reserves required for the other residential financed properties (excluding the borrower's principal residence and the subject property). The reserve amount will be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for all *mortgages & HELOC's disclosed on the application. The percentage is based on the number of financed properties the owns and is obligated on the financing.

RESERVES CALCULATION TABLE	
2 to 6 financed properties (Manually Underwritten and Casefiles Underwritten through DU)	<p>The % of UPB is based on the number of <u>financed properties</u>:</p> <ul style="list-style-type: none">• If 2-4 financed properties, reserves = 2% of aggregated mortgage UPBs for all other* financed properties.• If 5-6 financed properties, reserves = 4% of aggregated mortgage UPBs for all other* financed properties. <p>*Other includes all financed properties which are not the subject property or the borrower's principal residence.</p>
7 to 10 financed properties (DU Casefiles Only)	<p>The % of UPB is based on the number of <u>financed properties</u>:</p> <ul style="list-style-type: none">• If 7-10 financed properties, reserves = 6% of aggregated mortgage UPBs for all other* financed properties. <p>*Other includes all financed properties which are not the subject property or the borrower's principal residence.</p>

DU Issues A Message Informing The Lender What Number Was Used As The Number Of Financed Properties And Where That Information Was Obtained

Borrowers with Multiple Financed Properties

Example 2: Six Financed Properties

Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations	
Subject: Investor	\$78,750	\$776	6 Months PITIA =	\$4,656
Principal	\$133,000	\$946	N/A	\$0
Investor	\$87,550	\$787		
Investor	\$142,500	\$905		
Investor	\$84,950	\$722	$$345,030 \times 4\% =$	\$13,801
Investor	\$30,030	\$412		
	\$345,030		Total =	\$18,457

If The Loan Casefile Does Not Meet The Reserve Requirements, DU Will Issue An Ineligible Recommendation And A Message Will Be Issued.

Property and Appraisal

Property and Appraisal Information

24 Desktop Underwriter returned the following standardized address and census tract for the subject property: 7477 HARVEST HLS, LEXINGTON, OK 73051-1020, 202404. This is the address that Desktop Underwriter used in its property valuation and fieldwork recommendation. Regardless of the property fieldwork required by Desktop Underwriter, if this address is not valid for the subject property, an appraisal based on an interior and exterior property inspection reported on Form 1004 is required for this transaction. If the subject property is located in a condominium project, the appraisal must be reported on Form 1073.

25 An appraisal based on an interior and exterior property inspection reported on Form 1004 is required for this refinance transaction.

26 Form 1004MC must be completed for any transaction on which an appraisal is obtained. Refer to the Fannie Mae Selling Guide for additional information.

- Uniform Residential Appraisal Report (Form 1004)
- Individual Condominium Unit Appraisal Report (Form 1073)
- Individual Cooperative Interest Appraisal Report (Form 2090)
- Manufactured Home Appraisal Report (Form 1004C)
- Small Residential Income Property Appraisal Report (Form 1025)

Note: In addition to the above full appraisal options, there will be loan casefiles that receive the property fieldwork waiver option.

An Interior/exterior Appraisal Is Always Required Regardless Of The DU appraisal option when The Last Sale Was An REO Or Foreclosure Sale

DU Version 10.0 Dec 2016

Property Inspection Waivers

- Updates to PIW
- Enforcement Relief for Reps/Warrants for Property Value for certain transactions
- Disclosure of Information to Appraisers (2016-09)



Fannie Mae

Selling Guide Announcement SEL-2016-09

December 6, 2016



Fannie Mae™

Desktop Underwriter/Desktop Originator Release Notes

DU Version 10.0 December Update

October 24, 2016

Updated November 28, 2016

During the weekend of December 10, 2016, Fannie Mae will update Desktop Underwriter® (DU®) Version 10.0 with the following changes:

- DU Validation Service
- Updates to the Property Inspection Waiver
- Property Value Representations and Warranties

Disclosure of Information to Appraisers

Currently, we require the lender to provide the appraiser with all amendments made to a sales contract, including amendments that are made after completion of the appraisal. With this update, we have clarified when the appraiser must be provided with updates to the sales contract and circumstances that warrant updates to the appraisal. For example, if the contract is amended in a way that affects the description of the real property used by the appraiser, then the lender must provide the updated contract to the appraiser and the appraisal should be updated. However, minor updates to the contract, such as changes to seller paid closing costs or changes to the contract price, do not require an updated appraisal. In addition, we have updated the policy to require disclosure of changes to financing information (such as loan fees and charges, and subordinate financing provided by interested parties) to the appraiser only for purchase transactions.

Effective Date

This policy update is effective immediately.

PIW FAQs

Property Inspection Waivers



Fannie Mae®

Property Inspection Waiver Frequently Asked Questions

August 18, 2017

Property inspection waiver (PIW) is an offer to waive the appraisal for eligible transactions. PIW offers are issued through Desktop Underwriter® (DU®) using Fannie Mae's database of more than 26 million appraisal reports in combination with proprietary analytics from Collateral Underwriter® (CU™) to determine the minimum level of property valuation required for loans delivered to Fannie Mae.

This summary is intended for reference only. All criteria are subject to the formal terms and conditions of the Fannie Mae *Selling Guide*. In the event of any conflict with this document, the *Selling Guide* will govern.



Contents

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Frequently Asked Questions	1
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General	1
Process and Policy Requirements	4
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For More Information	7

General

Q1. How do lenders get access to PIWs?

PIW is available to all lenders who use DU, including through the Desktop Originator® (DO®) interface. No registration is needed.

Q2. Is the PIW available to correspondent lenders?

Yes. A correspondent lender may receive a PIW offer when submitting a loan casefile to DU. Correspondent lenders should contact their aggregators to discuss aggregator interest in delivering loans with a PIW to Fannie Mae and to ensure the correspondent is obtaining the appropriate fieldwork to meet aggregator guidelines.

Q3. **UPDATED** What are the eligibility requirements for PIW consideration?

The PIW offer will be considered on the transactions below:

- One-unit properties, including condominiums
- Limited cash-out refinance transactions:
 - principal residences and second homes up to 90% LTV/CLTV
 - investment properties up to 75% LTV/CLTV
- Cash-out refinance transactions:

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Updated August 18, 2017 1 of 7

Property Inspection Waiver Updates

Available for Certain Purchase and Refinance DU Casefiles

- When a casefile is eligible for the PIW, Fannie Mae accepts the “submitted” value estimate as the market value.
- Fannie Mae provides relief of reps and warranties on the value, condition *and* marketability of the property if the lender exercises the PIW option.
- To even receive a PIW message on the DU findings:
 - A prior appraisal must be found for the subject property in Fannie Mae’s Collateral Underwriter® (CU™) data
 - That appraisal must be associated with one of the borrowers on the loan casefile for refinances.
 - Property and transaction must meet criteria found in the *Selling Guide*...see next slide
- Fannie Mae **no longer** is charging the \$75 fee to exercise the option; SFC 801 is used upon delivery
- While Fannie Mae offers PIW always check your own policies and procedures to ensure no overlay for an appraisal exist

PIW Eligible Transactions

The PIW offer will be considered on the transactions below:

- One-unit properties, including condominiums
- Limited cash-out refinance transactions:
 - principal residences and second homes up to 90% LTV/CLTV
 - investment properties up to 75% LTV/CLTV
- Cash-out refinance transactions:
 - principal residences up to 70% LTV/CLTV
 - second homes and investment properties up to 60% LTV/CLTV
- Purchase transactions:
 - Principal residences and second homes up to 80% LTV/CLTV
- Loan casefiles that receive an Approve/Eligible recommendation

Property Inspection Waivers: Disaster Reminder !

Loans in process that will be secured by properties located in a disaster-impacted area are ineligible for property inspection waivers (PIWs). We periodically update our systems to deactivate PIW offers in certain disaster-impacted areas that can be identified by county or ZIP Code boundaries, but we are unable to identify and de-activate PIW offers on all properties that may have been impacted by a disaster. For more information, view the [PIW FAQs](#) and the [Assistance in Disasters](#) page.

Check Investor Guidelines For Appraisal Requirements Or Overlays To PIW

PIW Ineligible Transactions

The following are **not eligible** for a PIW offer:

- Properties located in a disaster-impacted area
- Construction and construction-to-permanent loans
- Two- to four-unit properties
- Loan casefiles in which the value of the subject property provided to DU is \$1,000,000 or greater
- HomeStyle® mortgage products (Renovation and Energy)
- DU Refi Plus™ loan casefiles
- Texas 50(a)6 loans
- Leasehold properties, community land trust homes, or other properties with resale restrictions
- Cooperative units and manufactured homes
- DU loan casefiles that receive an ineligible recommendation
- Loans for which the mortgage insurance provider requires an appraisal
- Loans for which rental income from the subject property is used to qualify

NOTE: *DU Refi Plus* loan casefiles continue to be eligible for the *DU Refi Plus* property fieldwork waiver (PFW).

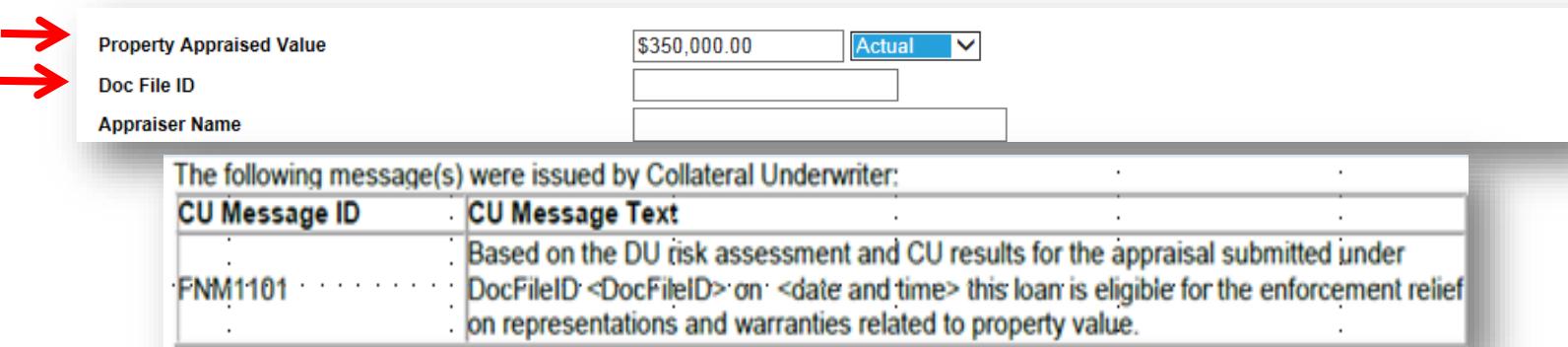
Property Value Enforcement Relief

Fannie offers enforcement relief on reps/warranties related to property value on certain loan casefiles when:

- Appraisal received a CU Risk Score of 2.5 or below, and
- Property type is a one-unit detached, attached or condominium property

The following fields must be provided in DU:

- The Actual Vs Estimated Appraised Value indicator...it must be submitted as “Actual” (Additional Data Screen)
 - The value entered and zip code in UCDP® must match what was entered in DU.
- Doc file ID assigned from UCDP® must be provided (Additional Data Screen)
- Message will appear either way “Eligible for Relief” or “NOT Eligible for Relief”



Property Appraised Value **Actual**

Doc File ID

Appraiser Name

The following message(s) were issued by Collateral Underwriter:

CU Message ID	CU Message Text
FNM1101	Based on the DU risk assessment and CU results for the appraisal submitted under DocFileID: <DocFileID> on: <date and time> this loan is eligible for the enforcement relief on representations and warranties related to property value.

CU Findings

- 1 The messages below were issued by Collateral Underwriter and the Uniform Collateral Data Portal for the appraisal submitted under DocFileID <DocFileID> on <date and time>. These messages are the result of automated analysis and for informational purposes only. Lenders remain responsible for the appraisal report in accordance with the Fannie Mae Selling Guide. CU Findings may not be used as the lenders' basis to accept or reject the appraisal nor may they be used as basis for a credit decision. The CU Findings do not need to be cleared and do not impact the Desktop Underwriter risk assessment nor the lenders' ability to deliver the associated loan to Fannie Mae. Lenders must analyze CU Findings in context of the appraisal report to determine an appropriate course of action and may not use CU Findings to interfere with the independent judgment of the appraiser. Under no circumstance should lenders encourage appraisers to provide inaccurate or otherwise misleading conclusions to conform with automated output from CU.

COLLATERAL UNDERWRITER MESSAGES

- 2 The following Risk Score and submission status message(s) were issued by Collateral Underwriter:

Message ID	Message Text
FNM1000	The Collateral Underwriter Risk Score is 3 on a scale of 1 to 5 where 5 indicates highest potential collateral risk. A score of 999 indicates no Collateral Underwriter Risk Score available.
FNM1007	The Fannie Mae UCDP Submission Status is successful.

- 3 The following Risk Flag message(s) were issued by Collateral Underwriter:

Message ID	Message Text
FNM1002	There is heightened risk of Appraisal Quality issues.

- 4 The following UCDP Basic Edit Check message(s) were issued by UCDP:

Message ID	Message Text
402	UAD compliance check failure (warnings only)

- 5 The following UAD Compliance message(s) were issued by UCDP:

Message ID	Message Text
5156	For the subject property, PropertySalesAmount: A prior sale was indicated within the past 3 years; therefore, the Price of Prior Sale/Transfer must be provided in whole dollars.

Note: As stated in the first message on the CU Findings report, the messages are provided for informational purposes only.

Sample CU Message That May Appear On DU Findings If A CU Doc File ID Is Entered; Score And Different Risk Messages

Property and Appraisal - Condos

If Property Type Condominium, Project Review Type Message Will Appear:

Property and Appraisal Information

This property is located in a condominium project. The lender must conduct a review of the project, utilizing the Condo Project Manager (CPM) Expedited or Lender Full Review processes, to determine that it meets the underwriting requirements of the applicable project classification as defined in the Selling Guide. Unless the property is a detached condo, and then a limited review is acceptable under the Selling Guide regardless of the occupancy. If the property is located in a state in which specific project review type guidelines apply, the lender must confirm the loan casefile complies with those guidelines. Refer to the Selling Guide for additional information.

Property and Appraisal Information

This property is located in a condominium project. A limited review can be performed if the property is in an established project and is not ineligible as defined in the Fannie Mae Selling Guide. Otherwise, the lender must review the project to determine that it meets the underwriting requirements of the applicable project classification as defined in the Fannie Mae Selling Guide. If the property is a detached condo, a limited review is acceptable under the Selling Guide regardless of the occupancy. If the property is located in a state in which specific project review type guidelines apply, the lender must confirm the loan casefile complies with those guidelines. Refer to the Selling Guide for additional information.

Observations

FYI information

OBSERVATIONS

29 This case was submitted to Desktop Underwriter version 10.1 by TEST/TRAINING - Genworth Branch. The following information is associated with this loan: Casefile ID is 1347546994 and Submission number is 3. If the loan is delivered to Fannie Mae, the Casefile ID must be provided at delivery.

30 The following list of special feature codes is provided to assist you in determining which codes may be associated with this loan. Other codes may be required. Refer to the Special Feature Codes list on fanniemae.com for a comprehensive list.

Special Feature Code	Description
127	DU Loan

31 Based on the data entered, this loan casefile has been identified as a First Time Homebuyer case. The First Time Homebuyer indicator must be completed at delivery. Refer to the Selling Guide for additional information on the identification of a first time homebuyer.

32 The following Credit Report information is associated with this submission:

Borrower Name	Credit Agency	Credit Report ID	Credit Report Date
John Homeowner	200-TEST CREDIT AGENCY	5004489	09/01/2017
Mary Homeowner	200-TEST CREDIT AGENCY	5004489	09/01/2017

33 The following credit scores were obtained by the credit agency selected by the user and are included in the credit report:

Borrower	Credit Scores
Mary Homeowner	768 771 783
John Homeowner	760 779 785

34 The following sources of income were used in the underwriting analysis:

Borrower	Income Type	Amount
John Homeowner	Social Security income	1000.00
John Homeowner	Pension retirement income	1000.00
John Homeowner	Bonuses	2500.00
John Homeowner	Base employment income	4000.00
Mary Homeowner	Alimony child support income	500.00
Mary Homeowner	Commissions	6000.00

Underwriting Analysis

Validate the details

Underwriting Analysis Report

Recommendation	Approve/Eligible	Co-Borrower	Mary Homeowner
Primary Borrower	John Homeowner	Casefile ID	1347546994
Lender Loan Number	JJ	Submitted By	a0837jna
Submission Date	09/22/2017 11:29AM		

PROPERTY INFORMATION

Property Address	2505 S Creek Street Mesa, AZ 85208	Number of Units	1
Property Type	Detached	Occupancy Status	Primary Residence

MORTGAGE INFORMATION

Loan Type	Conventional	LTV/CLTV/HCLTV	80.00% / 80.00% / 80.00%
Amortization Type	Fixed Rate	Loan Amount	\$250000.00
Balloon	No	Financed MI Amount	\$0.00
Community Lending	No	Total Loan Amount	\$250000.00
Payment Frequency	Monthly	Sales Price	\$312500.00
Lien Type	First Mortgage	Actual/Estimated Appraised Value	\$312500.00
Amt. Subordinate Fin.	\$0.00	P&I	\$1229.85
Loan Purpose	Purchase	Note Rate	4.250%
Refi Purpose		Qualifying Rate	4.250%
Owner Existing Mtg.		Bought Down Rate	0.00%
Buydown	No	Term (Months)	360

INCOME

Base	\$9000.00	Housing Expense	7.73%
Commission	\$6000.00	Debt-to-Income	8.90%
Bonus	\$2500.00		
Overtime	\$4000.00		
Other	\$2500.00		
Positive Net Rental	\$0.00	EXPENSE RATIOS	
Subj. Pos. Cash Flow	\$0.00	Including ≤ 10 Mos.	9.74%
Total	\$24000.00	With Undisclosed Debt	8.90%

PROPOSED MONTHLY PAYMENT

First P&I (Qualifying)	\$1229.85	Negative Net Rental	\$0.00
Second P&I	\$0.00	Subj. Neg. Cash Flow	\$0.00
Hazard Insurance	\$125.00	All Other Payments	\$282.07
Taxes	\$500.00	Total Expense Payment	\$2136.92
Mortgage Insurance	\$0.00		
HOA Fees	\$0.00	Present/Principal Housing Payment	\$2500.00
Other	\$0.00		
Total Housing Payment	\$1854.85		

FUNDS

Total Available Assets	\$350000.00	Cash Back	\$0.00
Funds Required to Close	\$72950.00	Net Cash Back	\$0.00
Reserves Required to be Verified	\$200.00	Excess Available Assets, not required to be verified by DU	\$276850.00
Total Funds to be Verified	\$73150.00		

Data Integrity Reminders

Lenders are responsible for integrity of the data submitted to DU

- Do you have all pages to the bank statement and are all large deposits addressed and sourced?
- Is the correct amount of retirement funds for reserves? Did you subtract any outstanding loans and is applicant fully vested?
- Paying off a second mortgage? Verify it was used to purchase the property or treat the loan as a cash out. Also verify seasoning requirements for ownership and taking cash out.
- Refinance: Is the property currently offered for sale or has it been offered for sale in the past six months? **For Cash out transactions, properties must have been taken off the market as of loan disbursement date. Updated with (SEL 2017-04)**
- Is Property type entered correctly (condo, PUD, manufactured home)
- Are the HOA dues, flood insurance or MI payments included in the housing payment, if applicable? Do you have written support?
- Does the occupancy make sense? Are the “Potential Red Flags” cleared as per the DU findings report?
- Are all the assets per DU verified plus any additional that are needed to payoff a judgment or collection? Evidence of liquidation if needed? Additional reserves?

Data Integrity Reminders

Lenders are responsible for integrity of the data submitted to DU

- Deferred loans must always be included in the debt ratio; use amount on credit report, 1% of unpaid balance or actual verified payment
- Student loans in repayment use actual payment per credit report, student loan documentation; payment may be zero if verified and IBR plan and the payment is zero
- Lease Payments must always be included in the debit ratio, regardless of number of payments remaining
- Installment/lease debt without a payment on the credit report, you must obtain documentation to verify the actual monthly payment amount (Exception: Deferred Student loans see *Selling Guide*)
- Include revolving debt, unless being paid off prior to or at closing; a payment may still be used, based on underwriter judgment
- To exclude a liability that someone else pays requires documentation for 12 months
- Income: Break it out by type, check trends, history of receipt
- Do names, addresses and social security numbers match from document to document?

Genworth Underwriting Guidelines

The screenshot shows the Genworth website homepage. At the top, the Genworth logo is on the left, followed by a search bar and a 'LOG IN TO:' button with options for 'ORDER MI', 'MANAGE MI', and 'VIEW ACCOUNT'. Below the header, a navigation bar includes 'MI & RATES', 'UNDERWRITING & GUIDES' (which is highlighted with a red box), 'LOS & CONNECTIONS', 'GENWORTH TOOLKIT', and 'TRAINING'. A dropdown menu from the 'UNDERWRITING & GUIDES' button lists 'View Underwriting Guides', 'Access Regulatory Resources', 'About Contract Services UW', and 'Get UW Tips & Policies'. The main content area features a background image of a couple in front of a house with the text 'The dream of HOME OWNERSHIP. It's alive and well with MORTGAGE INSURANCE.' Below this, three colored boxes represent services: 'Underwriting' (blue box, highlighted with a red box), 'Rate Express' (green box), and 'LOS' (yellow box). Each box contains a small icon and descriptive text.

Let's help some...

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[Access Regulatory Resources](#)

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[Get UW Tips & Policies](#)

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It's alive and well with
MORTGAGE INSURANCE.

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Share the results.

[GET A QUOTE NOW »](#)

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you in your LOS.

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- VIEW ACCOUNT

MI & RATES **UNDERWRITING & GUIDES** **LOS & CONNECTIONS** **GENWORTH TOOLKIT** **TRAINING**

Get A Quote - Rate Express

View Rate Cards

Explore MI Products

Learn About MI

Understand Your Master Policy

Compare MI & FHA

buy a house today.

Genworth Mortgage Insurance

of HOME OWNERSHIP.

and well with

GE INSURANCE.

Underwriting

Technology. Innovation. We're changing the way the MI industry approaches underwriting.

[KNOW MORE »](#)

Rate Express

Find a rate. Share the results.

[GET A QUOTE NOW »](#)

LOS

We'll meet you in your LOS.

[LET'S GO »](#)



LOS Connections

The screenshot shows the Genworth website homepage. At the top, the Genworth logo is on the left, followed by a phone number (800 444.5664), an envelope icon, and a magnifying glass icon. To the right is a "LOG IN TO:" button with three options: ORDER MI, MANAGE MI, and VIEW ACCOUNT. Below the header is a navigation bar with links: MI & RATES, UNDERWRITING & GUIDES, LOS & CONNECTIONS (which is highlighted with a red box), GENWORTH TOOLKIT, and TRAINING. A search bar is also present. The main content area features a large image of a smiling couple in front of a house, with the text "Let's help someone buy a house today." and "The dream of **HOMEOWNERS** is alive and well with **MORTGAGE INSURANCE**." Below this are three call-to-action boxes: "Underwriting" (blue), "Rate Express" (green), and "LOS" (orange). The "LOS" box is also highlighted with a red box. A dropdown menu for "LOS & CONNECTIONS" is open, listing four options: "Submit on our Site", "Submit with your LOS", "Use Optimal Blue & Doc Delivery", and "Access Paper Applications".

Training Tools and Information

The screenshot shows the Genworth website with a navigation bar at the top. The navigation bar includes links for MI & RATES, UNDERWRITING & GUIDES, LOS & CONNECTIONS, GENWORTH TOOLKIT, and TRAINING. The TRAINING link is highlighted with a red box and a red arrow pointing to it. The main content area features a large image of a couple in front of a house with the text: "Let's help someone buy a house today." and "The dream of HOMEOWNERSHIP. It's alive and well with MORTGAGE INSURANCE." Below this, there are three call-to-action boxes: Underwriting, Rate Express, and LOS. To the right, a sidebar titled "TRAINING" lists various resources, each with a red arrow pointing to it: Browse Course Catalog, View Live Webinar Calendar, Self-Employed Borrower Calculators, Get to Know Our Trainers, Learn About That MI Guy, and Get Answers to FAQs.

Genworth

800 444.5664 | [Email](#) | [Feedback](#)

Search

LOG IN TO:

- ORDER MI
- MANAGE MI
- VIEW ACCOUNT

MI & RATES | UNDERWRITING & GUIDES | LOS & CONNECTIONS | GENWORTH TOOLKIT | TRAINING

Let's help someone buy a house today.

The dream of **HOMEOWNERSHIP**. It's alive and well with **MORTGAGE INSURANCE**.

Underwriting

Technology. Innovation. We're changing the way the MI industry approaches underwriting.

[KNOW MORE »](#)

Rate Express

Find a rate. Share the results.

[GET A QUOTE NOW »](#)

LOS

We'll meet you in your LOS.

[LET'S GO »](#)

Browse Course Catalog

View Live Webinar Calendar

Self-Employed Borrower Calculators

Get to Know Our Trainers

Learn About That MI Guy

Get Answers to FAQs

Training Tools and Information

Course Catalog

Topic

Search Training Courses



Genworth offers a comprehensive suite of training opportunities to boost your know-how, benefit your bottom line and ultimately best serve your borrowers. With more than 90 courses in our catalog, our team is here to help you stay up-to-date on the mortgage industry and regulatory environment. Classes are all offered at no cost to you.

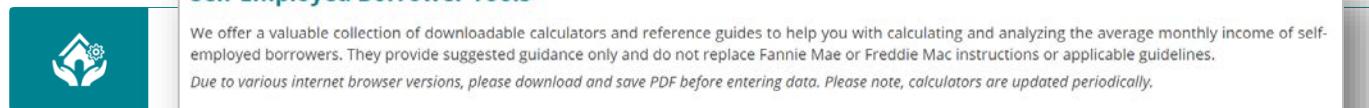
Browse by Topic



Browse by Role



Featured Courses



Self-Employed Borrower Tools

We offer a valuable collection of downloadable calculators and reference guides to help you with calculating and analyzing the average monthly income of self-employed borrowers. They provide suggested guidance only and do not replace Fannie Mae or Freddie Mac instructions or applicable guidelines.

Due to various internet browser versions, please download and save PDF before entering data. Please note, calculators are updated periodically.

	Fannie Mae Form 1084 Calculator (2015-2016) Calculate cash flow analysis to help you complete Fannie Mae Form 1084.		Freddie Mac Form 91 Calculator (2015-2016) Quick reference guide and income analysis for Freddie Mac Form 91.		Schedule Analysis Method (SAM) Calculator (2015-2016) Calculate qualifying income from tax returns.
	Rental Income Calculator (2015-2016) Assists in calculating rental income from IRS form 1040 Schedule E.		Quick Ratio - Liquidity Calculator (2015-2016) Calculate an organization's liquidity against current liabilities.		Current Ratio - Liquidity Calculator (2015-2016) Calculate working capital liquidity against current liabilities.
	Fannie Mae Rental Guide (Calculator 1037) Use this worksheet to calculate qualifying rental income for Fannie Mae Form 1037 (Principal Residence, 2- to 4-unit Property).		Fannie Mae Rental Guide (Calculator 1038) Worksheet for calculating qualifying rental income for Fannie Mae Form 1038 (Individual Rental Income from Investment Property).		Fannie Mae Rental Guide (Calculator 1039) Calculate qualifying rental income for Fannie Mae Form 1039 (Business Rental Income from Investment Property).
	Fannie Mae Comparative Analysis Guide (Form 1088) Calculate increases/decreases in gross income, expenses and taxable income.				



Additional MI Site Information

What's New

- We Know
- Rate Express®
- Chat
- Training
- Homebuyer Report

Genworth's First-Time Homebuyer Market Report



Get it on our blog!

Self-Employed Borrower Tools

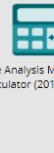
Valuable income calculation tools and reference guides for calculating self-employed borrower income.



Fannie Mae Form 1084 Calculator



Freddie Mac Form 91 Calculator



Schedule Analysis Method (SAM) Calculator (2015-2016)

Rental Income Calculator (2015-2016)

[More Tools](#)

Homebuyer Education

Help first-time homebuyers prepare for the homebuying process. Your no-fee resource!



Master Policy Agreement

Partner with us. A master policy agreement is the first step to submitting MI loans to Genworth.

[GET STARTED](#)



Contract Services Agreement

Offset fixed underwriting costs as you adjust to the latest industry demands! Request a contract services underwriting agreement.

[GET STARTED](#)



Genworth MI Community



Genworth MI @GenworthMI

Did you know our NEW website visually tracks every part of the MI application process? Learn more: ow.ly/AN9L30g7uK1 via @MktInsider



New Genworth Mortgage Insurance Websi...

RICHMOND, Va., Oct. 19, 2017 /PRNewswire/ - Genworth Mortgage Insurance, an operating markets.businessinsider.com

[STAY CONNECTED](#)



Find My Sales Representative

ZIP Code

[View Your Team](#)



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[MORE](#)

Your Genworth Resources

- **ActionCenter®: 800 444.5664**
- **Your Local Genworth Regional Underwriter**
- **Your Genworth Sales Representative**

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