

# Desktop Originator/Desktop Underwriter Release Notes

## DU Version 7.0 August Update

June 16, 2008

During the **weekend of August 16, 2008**, Fannie Mae will update Desktop Underwriter® (DU®) Version 7.0 to implement policy changes described in the following *Selling Guide* Announcements:

- Announcement 07-16, *New Flow Business Pricing Requirements*
- Announcement 07-21, *Adverse Market Delivery Charge*
- Announcement 08-04, *New Flow Business Pricing Requirements*
- Announcement 08-05, *Temporary Increase to Our Conventional Loan Limits*
- Announcement 08-08, *Mortgage Eligibility and Pricing Updates for Desktop Underwriter® and Manually Underwritten Loans*
- Announcement 08-09, *Jumbo-Conforming Mortgage Loans – ARM Plans, MBS Pooling, and Other Information*
- Announcement 08-11, *Jumbo-Conforming Mortgage Loans – Expanded Eligibility and Products*
- Announcement 08-10, *National Down Payment Policy Replaces Maximum Financing in Declining Markets Policy*
- Announcement 08-13, *2008 Area Median Income Limits, Interest-Only Clarification, Revised Form 1008, FHA Secure Special Feature Code*

For details on these policy changes, refer to the Announcements noted above.

The updates included in this release will apply to DU Version 7.0 loan casefiles submitted or resubmitted to DU on or after the weekend of **August 16, 2008**, unless otherwise specified below.

### Jumbo-Conforming Mortgage Loans

In order to provide lenders with improved process efficiencies for the origination and underwriting of jumbo-conforming mortgage loans, DU will be updated to automate the eligibility guidelines specified in Announcements 08-05, 08-09, and 08-11. The eligibility guidelines specified in these Announcements, and any DU specific guidelines stated below, will be applied to *all* DU Version 7.0 loan casefiles submitted or resubmitted to DU on or after the weekend of August 16, 2008 when the loan amount entered on the loan application exceeds the Fannie Mae standard conforming loan limit.

#### DU Underwriting Recommendations

All DU Version 7.0 loan casefiles submitted or resubmitted to DU on or after the weekend of August 16, 2008 with a loan amount greater than the Fannie Mae standard conforming loan limit, as entered on the loan application, will receive an Approve or Refer recommendation only.

Jumbo-conforming mortgage loan casefiles receiving an Approve/Eligible recommendation will be eligible for delivery to Fannie Mae, and will continue to receive the limited waiver of representations and warranties afforded to DU loan casefiles. Jumbo-conforming mortgage loan casefiles receiving an Approve/Ineligible recommendation will be ineligible for delivery to Fannie Mae.

Jumbo-conforming mortgage loan casefiles that would have received a recommendation other than an Approve will receive a Refer/Eligible or Refer/Ineligible recommendation. For those jumbo-conforming mortgage loan casefiles that receive a Refer/Eligible recommendation, the lender must employ prudent underwriting judgment

and carefully review the borrower's income, assets, and liabilities, in addition to other relevant risk factors when deciding if the loan casefile meets Fannie Mae's credit risk requirements as outlined in the *Selling Guide*. Jumbo-conforming mortgage loan casefiles receiving a Refer/Ineligible recommendation will be ineligible for delivery to Fannie Mae.

As with all loan casefiles receiving a Refer recommendation, these loan casefiles will *not* be eligible for the limited waiver of representations and warranties afforded to DU loan casefiles.

### **Jumbo-Conforming Mortgage Message**

DU will issue one of the messages noted below to inform lenders of the loan limit used for each jumbo-conforming mortgage loan casefile:

- This message will be issued when DU is able to identify the county in which the subject property is located. This message will list the county used to determine the jumbo-conforming mortgage loan limit and will provide the corresponding loan limit.

*This loan casefile was processed according to the guidelines outlined for jumbo-conforming mortgages and must meet all the terms and conditions specified in the Selling Guide. Based on the subject property data entered, DU determined that the subject address is located within the county of <county> and used the corresponding jumbo-conforming loan limit of \$<jumbo-conforming mortgage loan limit>.*

- This message will be issued when DU is not able to identify the county in which the subject property is located, and must default to the applicable state limit.

*This loan casefile was processed according to the guidelines outlined for jumbo-conforming mortgages and must meet all the terms and conditions specified in the Selling Guide. Based on the subject property data entered, DU could not verify the submitted subject property address for this transaction in order to determine the county in which the subject property is located and used the corresponding state limit of \$<state loan limit>.*

### **Eligibility Criteria Requiring Manual Review**

As stated above, the eligibility guidelines specified in Announcements 08-05, 08-09, and 08-11 will be applied to jumbo-conforming mortgage loan casefiles reviewed by DU. However, there are several situations where the necessary information to complete the eligibility analysis cannot be considered by DU. As a result, despite receiving an Approve/Eligible or Refer/Eligible recommendation, the lender must confirm that the loan casefile complies with all guidelines specified for jumbo-conforming mortgage loans. For example, mortgage loans with daily simple interest, a pre-payment penalty, or an assumable feature are not eligible with jumbo-conforming mortgage loans, even if the loan casefile receives an Approve/Eligible or Refer/Eligible recommendation.

### **Documentation Requirements**

Lenders may use the documentation requirements issued by DU for jumbo-conforming mortgage loan casefiles, and are not required to follow the documentation requirements outlined in Announcements 08-05, 08-09, and 08-11.

### **ARM Plans Available in DU**

The following ARM plans are available in DU and are eligible with jumbo-conforming mortgage loan casefiles: ARM plans 3252, 3505, 3518, and 3225. ARM plans 2727, 2729, and 2737 are also eligible with jumbo-conforming mortgage loans; however, since these ARM plans are not available in DU they must be submitted using the FM Generic 5 Year, FM Generic 7 Year, or FM Generic 10 Year ARM plans.

## National Down Payment Policy

As stated in Announcement 08-10, Fannie Mae introduced a national policy on down payment requirements. The following items outlined in Announcement 08-10 will now apply to DU Version 7.0 loan casefiles submitted or resubmitted to DU on or after the weekend of August 16, 2008:

- For Flexible mortgages and MyCommunityMortgage<sup>®</sup> loan casefiles, the maximum LTV ratio will be reduced to 97 percent. The maximum CLTV ratio will be reduced to 97 percent if the subordinate financing is an institutional second mortgage; however, if the subordinate lien is a Community Seconds<sup>®</sup>, DU will continue to allow CLTVs up to 105 percent. Loan casefiles exceeding these LTV or CLTV maximums will receive an Ineligible recommendation.
- For any transaction that includes financed borrower-purchased mortgage insurance, the maximum “gross” LTV, which includes the mortgage insurance premium, will be reduced to 97 percent. Loan casefiles exceeding this LTV maximum will receive an Ineligible recommendation.
- For all other transactions underwritten with DU, the maximum HCLTV ratio will be reduced to match the CLTV ratio. Loan casefiles including an Undrawn HELOC amount in Section VII of the online loan application where the HCLTV exceeds the maximums stated in Announcement 08-10 will receive an Ineligible recommendation.

With the implementation of the national down payment policy, the DU message that appears on loan casefiles for properties located in areas that have been identified as experiencing a decline in property values, as well as markets in which it is difficult to assess home values, will be retired. DU Version 7.0 loan casefiles submitted or resubmitted to DU on or after the weekend of August 16, 2008 will no longer receive this message.

## Loan-Level Price Adjustments

The DU message reminding lenders that a loan-level price adjustment applies to a specific loan casefile will be updated to align with Announcement 07-16, Announcement 08-04, and Announcement 08-08.

## Adverse Market Delivery Charge

Announcement 07-21 established an “Adverse Market Delivery Charge” that applies to all mortgages delivered to Fannie Mae under standard or negotiated terms. DU will issue the following message reminding lenders of this adverse market delivery charge:

*The Adverse Market Delivery Charge will be applied when this mortgage loan is delivered to Fannie Mae. Refer to the Selling Guide and Loan-level Price Adjustment (LLPA) Matrix and Adverse Market Delivery Charge (AMDC) Information on [efanniemae.com](http://efanniemae.com) for specific details.*

## Area Median Income (AMI) Changes

As stated in Announcement 08-13, the AMI estimates for 2008 may now be applied when determining eligibility for MyCommunityMortgage. With this release, the 2008 AMI limits used for each geographic area for MyCommunityMortgage loan casefiles will be implemented in DU.

These AMI limits will apply to Version 7.0 and Version 5.7 loan casefiles submitted or resubmitted to DU on or after the weekend of August 16, 2008.

The 2008 AMI limits are now available on [eFannieMae.com](http://eFannieMae.com). The DO/DU user interface will be updated in late August, 2008 to reflect the 2008 AMI limits and changes to the MSA and non-MSA counties as applicable.

## **For More Information**

For more information about the Announcements referenced in these Release Notes, lenders may contact their Fannie Mae customer account team; mortgage brokers should contact their Desktop Originator<sup>®</sup> (DO<sup>®</sup>) sponsoring wholesale lenders.