



## Bulletin 16-31

### Fannie Mae Release of DU Version 10.0

Fannie Mae will release DU Version 10.0 the weekend of September 24, 2016. New loans submitted to DU on or after September 24, 2016 will be subject to the new guidance detailed below.

Loans submitted to DU Version 9.3 and resubmitted after the weekend of September 24, 2016 will continue to be underwritten to DU 9.3. Highlights of DU 10.0 release are as follows:

#### Trended Credit

Trended credit data reporting was developed by Fannie Mae as an additional tool in the DU risk assessment model and is being introduced with the release of DU Version 10.0.

**Fannie Mae loans submitted to DU 10.0 will require a credit report that includes trended credit data. DU will issue an error message (see below) if a credit report without trended data is provided. A new credit report, with trended data, will be required in order for DU to issue an underwriting decision.**

#### DU Error Message

<i>Data Element</i>	<i>Current Value</i>
<i>Invalid credit version</i>	<i>DU has received a version of the credit report that is not supported by the current version of DU. Contact the credit agency technical support group to ensure the correct version of the credit report is being provided.</i>

DU's credit risk assessment includes:

- Credit history (age of accounts)
- Utilization and payment history (now using trended credit)
- The time frame and severity of accounts with late payments
- Public records, foreclosures, deed-in-lieu of foreclosure, pre-foreclosure sales, mortgage charge-offs and collection accounts
- Inquiries

Trended credit allows DU to analyze if the borrower is a "Transactor" or "Revolver":

- **Transactor:** Pays off debt every month or pays more than the minimum payment every month
- **Revolver:** Pays only the minimum payment due every month

DU will consider a "Transactor" a better credit risk than a "Revolver"

#### **Credit Reports without Trended Credit Data**

- Indicate outstanding account balance
- Utilization and availability of credit
- On-time or delinquent payments

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### ***Credit Reports with Trended Credit Data***

Trended credit data will provide:

- 24 month account history
- Account balance history for previous 24 months
- The minimum scheduled payment
- The actual payment made by the borrower

### ***Important Information Regarding Trended Credit***

- There is **no change** to how a credit report is ordered or reissued
- Trended credit data will **not** impact the percentage of “Approve/Eligible” recommendations (per Fannie Mae)
- Underwriters will **not** review trended credit data
- Trended data will be provided for all account types (mortgage, installment, revolving, etc.) however DU **will only analyze revolving accounts** in its risk assessment
- Credit reports with trended credit data are **only** required on Fannie Mae transactions (**not required on FHA/VA/Freddie Mac**, etc.)
- Loans resubmitted to DU 9.3 do not require trended credit data
- Trended credit data does **not** impact credit scores
- Trended credit data will be provided by Equifax and TransUnion; it is not currently available from Experian
- **All loans submitted to DU 10.0 require a credit report with trended credit data**

### **Non-Traditional Credit**

The non-traditional credit enhancements are eligible for loans submitted to DU Version 10.0.

#### ***Non-Traditional Credit – At Least One Borrower has Credit Score***

Transactions involving a borrower(s) with traditional credit (has a credit score) and borrower(s) with non-traditional credit (no credit score) continue to be eligible for submission to DU. Fannie Mae has relaxed the requirements as noted below.

The following eligibility requirements now apply:

- Primary residence 1-unit properties only and all borrowers will occupy the property, **and**
- Purchase and rate/term transactions, **and**
- Fixed rate only, **and**
- Conforming loan amounts only; high balance ineligible, **and**
- Borrowers using income derived from self-employment to qualify are eligible (previously self-employment income was ineligible), **and**
- If the borrower with traditional credit is contributing **> 50%** of the qualifying income, non-traditional credit sources are **not required** for the other borrower(s) on the loan, **OR**
- If the borrower **with traditional credit** (has a credit score) is contributing **50% or less** (previously ineligible) there are specific Fannie Mae requirements that need to be met, including a requirement for a documented 12 month housing history.

**NOTE: Borrowers without a 12 month housing history, including borrowers living rent free, are ineligible.**

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## ***Non-Traditional Credit – No Credit Score for all Borrowers***

Transactions involving borrowers without established traditional credit (no credit score for any borrower) may now be submitted to DU (previously required a manual underwrite). A tri-merged credit report will be required to ensure the borrower does not have sufficient credit to generate a score.

DU will evaluate the following:

- The borrower's equity and LTV ratio
- Liquid reserves, and
- DTI ratio

The following eligibility requirements apply:

- Primary residence 1-unit properties only and all borrowers must occupy the property
- Purchase and rate/term transactions
- Fixed rate only
- Conforming loan amounts only; high balance ineligible
- Maximum 90% LTV/CLTV/HCLTV
- Maximum DTI 39.99% (**must be < 40%**)
- An "Approve/Eligible" recommendation from DU is required
- Borrowers must have a minimum of two non-traditional credit sources documented for 12 months, one of which must be for housing

**NOTE: Borrowers without a 12 month documented housing history, including borrowers living "rent free", are ineligible.**

- Pre-purchase housing counseling, from a Fannie Mae approved agency, must be completed by one of the borrowers on the loan prior to loan closing.

## ***Non-Traditional Credit Requirements***

- The following credit requirements apply to non-traditional credit sources and there are no exceptions to these requirements:
  - 0x30 in the previous 12-months on the housing payment, and
  - Only one (1) account (excluding the housing payment) can have a 30 day delinquency in the past 12 months, and
  - No collections (other than medical collections) or judgments have been filed in the past 24 months, and
  - Judgments and outstanding liens must be paid off prior to or at closing, and
  - Collections and charge-offs of non-mortgage accounts subject to DU Findings.

Brokers should refer to the HomeBridge [Fannie Mae Conforming and Super Conforming DU 10.0](#) for detailed requirements regarding:

- Housing history requirements,
- Eligible non-traditional credit sources,
- Requirements for documenting non-traditional credit sources, and
- Acceptable counseling agencies and documentation of completion requirements

Loans that receive an "Out of Scope" recommendation are **ineligible** as a manual underwrite is required and HomeBridge does not offer manual underwriting on Fannie Mae transactions.

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## Multiple Financed Properties – Second Home and Investment Transactions

Refer to [HomeBridge Bulletin 16-20](#) for details on the enhancements to multiple financed properties. The Fannie Mae Conforming and High Balance matrix was updated with this information and posted on the HomeBridge website in May. With the release of DU 10.0, DU will now automatically calculate the required reserves.

HomeBridge has updated the Fannie Mae Conforming and High Balance matrix with the trended credit data and non-traditional credit information and posted it on the HomeBridge website at [www.HomeBridgeWholesale.com](http://www.HomeBridgeWholesale.com) as DU 10.0.

With the release of DU 10.0 Fannie Mae is retiring DU version 9.2. HomeBridge has removed the DU 9.2 version of our matrices from our website; the DU 9.3 matrices will remain posted on the HomeBridge website at this time. Brokers should refer to the applicable guidelines based on the DU version the loan was submitted under.

Brokers may review additional information regarding the DU 10.0 release by clicking on the links below:

- [HomeBridge Fannie Mae Trended Credit Data Overview Presentation](#)
- [Fannie Mae DU Version 10.0 FAQs](#)
- [Fannie Mae DU 10.0 Release Notes](#)
- [Underwriting Borrowers without Traditional Credit](#)

The Fannie Mae Conforming and High Balance DU 10.0 matrix and the Conventional Submission Form have been updated and posted on the HomeBridge website at [www.HomeBridgeWholesale.com](http://www.HomeBridgeWholesale.com)

If you have any questions, please contact your Account Executive.