



## Bulletin 17-17

### Fannie Mae Release of DU Version 10.1

Fannie Mae will release DU Version 10.1 the weekend of July 29, 2017. New loans submitted to DU on or after July 29, 2017 will be eligible for the enhancements implemented with DU 10.1.

Loans that were submitted to DU Version 10.0 and resubmitted after the weekend of July 29<sup>th</sup>, will continue to be underwritten to DU 10.0 requirements.

Highlights of the DU 10.1 release are as follows:

#### Maximum DTI

Fannie Mae is raising the maximum DTI to 50% so it is anticipated more loans will receive an “Approve/Eligible” finding between 45%-50% DTI. Compensating factors will **no longer** be required to exceed 45% (currently the maximum DTI is 45% unless certain compensating factors are met to allow up to a maximum 50%).

#### ARM LTV Ratios

The ARM LTV ratios will align with the fixed rate LTV ratios for all transaction, occupancy and property types up to 95% LTV. LTVs of 95.01% to 97% continue to be eligible for fixed rate only.

#### Disputed Tradelines

Fannie Mae is simplifying the requirements for disputed tradelines. An updated credit report removing the disputed tradeline will no longer be required.

DU will now include disputed tradelines in its risk assessment (currently they are excluded).

1. When an “Approve/Eligible” recommendation is received **using** the disputed tradeline(s) **no further action** is required. The following message will be issued by DU:

*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.***

<i>Creditor</i>	<i>Account Number</i>	<i>Account Type</i>
<i>ABC Creditor</i>	<i>123456789</i>	<i>Installment</i>

## Disputed Tradelines (cont.)

If DU determines it will **not** issue an “Approve/Eligible” when **including** the disputed tradeline(s) DU will re-run the risk assessment **excluding** the disputed tradeline and will then render a recommendation.

2. When an “Approve/Eligible” is received after DU has **excluded** the disputed tradeline(s) the following message will be issued by DU:

*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.***

<i>Creditor</i>	<i>Account Number</i>	<i>Account Type</i>
<i>ABC Creditor</i>	<i>123456789</i>	<i>Installment</i>

- The underwriter will be responsible to review and document whether or not the tradeline belongs to the borrower. If the borrower is **not** responsible for the tradeline the documentation is retained in the file and **no further action** is required. An updated credit report is **not** required
- If the underwriter determines the borrower **is** responsible for the tradeline the loan is **ineligible** since Fannie Mae will require the loan to be manually underwritten and HomeBridge does not manually underwrite conventional transactions.

NOTE: Medical debt will continue to be **excluded** from the disputed tradelines and is **not** required to be reviewed

## Self-Employment Income Documentation

DU Version 10.1 will increase the number of loans that will be eligible for (1) one year personal and business tax returns.

NOTE: Fannie Mae does **not** use the number of years the business has been in operation to determine eligibility for 1-year tax returns

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The following updates made by Fannie Mae are **effective immediately** and are **not** specific to DU 10.1.

### **Timeshares**

Timeshares will now always be considered installment debt (currently timeshares may be treated as mortgage debt in DU 10.0)

### **Employment Offers/Contracts**

The policy regarding the use of income for qualifying the borrower from future employment has been enhanced to allow for a start date within 90 days of the Note date (currently 30 days). The following applies:

- Purchase transactions secured by 1-unit primary residence, **and**
- The borrower is not employed by a family member or interested party to the transaction, **and**
- The borrower is qualified using fixed based income only, **and**
- A copy of the employment offer/contract, signed by the employer and the borrower, is required and it must include the following:
  - The employer's name,
  - The borrower's name,
  - The terms of employment, including position, type and rate of pay, and the borrower's start date which must be within 90 days of the Note date,
  - The employment cannot have any contingencies. If any conditions to the employment exist they must be cleared prior to loan closing, **and**
  - Financial reserves in addition to those required by DU sufficient to cover PITIA payments for the subject property for 6 months **or** current income sufficient to cover the monthly liabilities included in the DTI ratio, including the PITIA for the subject property for the number of months between the Note date and the employment start date, plus one month.

### **Alimony**

When the borrower has alimony payments one of the two following options may be used for treating the alimony payment:

- Deduct the monthly payment amount from the borrower's monthly qualifying income and enter the adjusted income figure as the income amount in DU, **or**
- Include the monthly payment amount in the borrower's DTI calculation (currently only option)

If the payment is deducted from the income, the DU messaging regarding treating alimony as debt may be ignored.

NOTE: This option applies to alimony payments only; it does not apply to child support and/or separate maintenance payments which must continue to be treated as debt.

### **DU Version 9.3 Retiring**

With the release of DU 10.1 Fannie Mae is retiring DU Version 9.3. HomeBridge has removed the DU 9.3 guidelines from our website. The DU 10.0 guidelines 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.

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To review Fannie Mae's DU Version 10.1 Release Notes click here: [DU Release Notes DU Version 10.1](#)

The HomeBridge Fannie Mae Conforming and High Balance guidelines 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.