



## Bulletin 18-11

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### Fannie Mae Release of DU Version 10.2

Fannie Mae will release DU Version 10.2 the weekend of March 17, 2018. New loans submitted to DU on or after March 17, 2018 will be eligible for the enhancements implemented with DU 10.2

Loans that were submitted to DU Version 10.1 and resubmitted after the weekend of March 17<sup>th</sup> will continue to be underwritten to DU 10.1 requirements.

Highlights of DU 10.2 release are as follows:

#### DU Risk Assessment

Fannie Mae is adjusting DU's risk assessment to limit risk layering after assessing loans delivered since the release of D.U. Version 10.1 which considered DTI ratios up to 50%. Trended credit data will now be included in the risk assessment.

#### HomeStyle Renovation Mortgages

The HomeStyle program will be enhanced as follows:

- The maximum LTV/CLTV is increased to 97%. The current requirements for standard Fannie Mae transactions with 95.01% to 97% LTV will apply:
  - 1-unit primary residence
  - Fixed rate only with a 15, 20, or 30 year loan term; ARMs ineligible
  - DU "Approve/Eligible" required
  - **Conforming loan amounts only**
  - Maximum 97% LTV/CLTV/HCLTV. CLTV may only exceed 97% if the second lien is a Community Second (maximum 105% CLTV)
  - 35% mortgage insurance coverage
  - Standard minimum borrower contribution requirements apply (purchase transactions)
  - **Purchase transactions:** At least one borrower is a first time home buyer and will occupy the subject property
  - **Refinance transactions:** The loan must currently be owned by Fannie Mae
- The eligible renovation funds is now 75% (up from 50%) as follows:
  - **Purchase Transactions:** 75% of the **lesser of:**
    - The acquisition plus renovation costs, **or**
    - The "after-improved" appraised value
  - **Refinance Transactions:** 75% of the "after-improved" appraised value
- Manufactured home renovation/repairs now eligible. Reno costs cannot exceed the **lesser of:**
  - \$50,000, **or**
  - 50% of the "after-improved" value

NOTE: Manufactured renovations **cannot** include any structural changes

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- The requirement that the renovation must add value to the property has been **removed**
  - Construction of an accessory unit on the subject property is now eligible. Fannie Mae defines an accessory unit as an additional living area independent of the primary dwelling unit that includes a fully functioning kitchen and bathroom (e.g. a living area over a garage, a basement unit, etc.).  
The accessory unit:
    - Must be in compliance with local zoning requirements and the applicable building codes for the local area
    - **Cannot** change the property from a 1-unit to a 2-unit property and only one (1) accessory unit may be on the property
    - Must meet all other Fannie Mae accessory unit requirements
  - Up to 50% of the total up-front material costs identified in the project estimate may be released at the beginning of the project to the borrower and contractor. A portion of these funds may also be used to pay expenses associated with design, architect fees, and permits.
  - Newly built homes that are at least 90% complete are now eligible to use HomeStyle to complete final non-structural work that was not completed by the original builder. Eligible items are buyer-selected finishes such as flooring, cabinets, kitchen appliances, fixtures, and trim.

## DU Messaging

DU Version 10.2 will include updated messaging (to align with previously issued guidance).

- A message will be issued to indicate the transaction is not eligible for a PIW when it is determined an appraisal was recently uploaded to the UCDP with a matching address
- On a rate/term refinance of a condo a message will be issued indicating a project review is not required when DU determines the existing mortgage is owned by Fannie Mae as long as the project has the required project-related insurance
- Updated messaging regarding delinquent federal income tax and the eligibility of borrowers currently in a tax repayment plans (specific message language was not provided). The underwriter will be responsible to determine eligibility
- Additionally, various new “observation” messages may be issued if DU determines the transaction may be eligible for an affordable housing program (e.g. HomeReady) based on the borrower’s income and the property address (after processed through DU’s geocoding logic).

## DU Version 10.0

With the release of DU 10.2 Fannie Mae is retiring DU Version 10.0. HomeBridge has removed the DU 10.0 guidelines from our website. The DU 10.1 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.

To review Fannie Mae’s DU Version 10.2 Release Notes click here: [DU Release Notes DU Version 10.2](#)

The HomeBridge Fannie Mae HomeStyle guidelines and the HomeStyle and HomeStyle/LifeStyle training presentations 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.