

Desktop Underwriter/Desktop Originator Release Notes

DU Version 11.0

Feb. 10, 2021

During the **weekend of March 13, 2021**, Fannie Mae will implement Desktop Underwriter® (DU®) Version 11.0, 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 March 13, 2021. Loan casefiles created in DU Version 10.3 and resubmitted after the weekend of March 13 will continue to be underwritten through DU Version 10.3.

The changes in this release include the following:

- DU Risk Assessment Update
- Updates to Align with the Selling Guide
- Retirement of DU Version 10.2

DU Risk Assessment Update

As part of normal business operations and prudent risk management, we regularly review and adjust the DU risk assessment based on the latest market and loan performance data. DU Version 11.0 will include an updated risk assessment that will fine-tune DU's ability to assess risk while fostering homeownership sustainability. This update will continue to help lenders underwrite with confidence.

We anticipate DU 11.0 to yield minimal change in the overall percentage of loan casefiles receiving an Approve/Eligible recommendation, but each lender's results may vary depending on their overall mix of business.

Updated Risk Factors

DU will continue to use multiple factors to perform a comprehensive risk assessment. The risk factors specified below will be updated.

Note: No changes will be made to the other risk factors listed in Selling Guide section [B3-2-03, Risk Factors Evaluated by DU](#).

Debt-to-Income Ratio/Debt Composition

DU will continue to view loan casefiles as having lower associated risk when the borrower's debt-to-income ratio (DTI ratio) is low. DU will also evaluate the composition of the borrower's debt, specifically looking at how revolving debts and student loan debts make up the borrower's total monthly expenses.

Borrowers whose revolving debt makes up a smaller percentage of their monthly expense will represent less risk, and borrowers with student loan debt will represent less risk than those with only revolving debt.

Self-Employment/ Variable Income

DU will no longer view self-employment as representing increased risk but will now evaluate the composition of borrower income.

DU will view borrowers whose total annual income is made up of a higher percentage of variable income (i.e., bonus, overtime, commission, and miscellaneous) as representing increased risk.



Updates to Align with the *Selling Guide*

Appraisal Waiver Update

The *Selling Guide* indicates that a lender may not exercise an appraisal waiver offer and must order an appraisal if the lender is using rental income from the subject property to qualify the borrower. This includes income from an accessory unit.

DU will no longer evaluate a loan casefile for appraisal waiver eligibility when accessory unit income is provided on the loan application for use in qualifying.

Retirement Income Message

Selling Guide Announcement SEL-2020-07 updated our requirements related to the use of retirement, government annuity, and pension income. The DU retirement income message will be updated to reflect these changes.

Source of Gift of Equity

For loan casefiles using the redesigned Form 1003, when a gift of equity is being used DU will also check the source of the gift of equity. When the source is one that is not a relative or unmarried partner, the loan casefile will receive an Ineligible recommendation because (like a gift of cash) the gift of equity must come from a relative or unmarried partner.

Note: As a reminder, all new loan applications taken on or after March 1, 2021 must be submitted using the redesigned Form 1003 (MISMO v3.4).

Miscellaneous Message Text Changes

To continue to provide clarity and consistency with the *Selling Guide*, various DU messages will be updated.

Retirement of DU Version 10.2

With the release of DU Version 11.0, DU Version 10.2 will be retired. Therefore, effective the weekend of March 13, 2021, customers will no longer be able to resubmit loan casefiles to DU Version 10.2. Customers will be able to view online loan applications and DU Underwriting Findings reports that were created under DU Version 10.2. To obtain an updated underwriting recommendation after the weekend of March 13, customers must create a new loan casefile and submit it to DU.

Note: DU Version 10.2 loan casefiles would have been created prior to Dec. 8, 2018; therefore, those loan casefiles would have been created 27 months prior to the retirement of DU Version 10.2.

For More Information

For more information about these Release Notes, lenders may contact their Fannie Mae Customer Management Solution 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.