



Revisions to Fannie's Automated System May Lead to Easier Approval

Fannie Mae will implement a **new version of its Desktop Underwriter (DU)** after the weekend of **March 13**. Version 11.0 apply to loan casefiles submitted on or after that date, but casefiles created in the previous version.

The changes in this release include modifications to DU risk assessment which Fannie Mae says it regularly reviews and updates based on the latest market and loan performance data. The new DU version "will include an updated risk assessment that will finetune DU's ability to assess risk while fostering homeownership sustainability." The company said it expects DU 11.0 to **yield only 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.

DU will continue to view loan casefiles as having lower associated risk when the borrower's debt-to-income ratio (DTI ratio) is low and 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.**

DU will no longer view self-employment as representing increased risk but will now evaluate the composition of borrower income. Where borrowers' total annual income is made up of a higher percentage of variable income such as overtime, commissions, and bonuses, that income will be viewed as representing increased risk.

The new version will not mandate any changes to other risk factors listed in the *Selling Guide's* section B3-2-03.

DU Version 11.0 will also contain some changes which bring it into alignment with the *Selling Guide*. It will no longer evaluate a loan case file for eligibility for an appraisal waiver when rent from an accessory unit is used for income qualification. This reflects the Selling Guide's requirement that an appraisal must be ordered if rental income is used to qualify, including income from an accessory unit.

The DU also contains an update to reflect *Selling Guide* Announcement SEL-2020-07 which updated requirements related to the use of retirement, government annuity, and pension income. Also, when a gift of equity is being used DU will check the source. If it comes from one other than a relative or unmarried partner, the loan casefile will receive an Ineligible recommendation.

Finally, with the release of DU Version 11.0, DU Version 10.2 will be retired and resubmitted casefiles using that version will no longer be accepted after the weekend of March 13, 2021. Customers will be able to view online loan applications and DU Underwriting Findings reports that were created under DU Version 10.2, but a new casefile must be created and submitted to obtain an updated underwriting recommendation.



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