



Your Easiest Path
to Mortgage Lending™

Mod Corr Partner Announcement

“Striving to be the Best...not the biggest.”

Issue Date 07/30/17

Effective Date As Noted

MCPA 2017-005

Desktop Underwriter Version 10.1 Release Notes: New Casefiles submitted to DU after July 29, 2017

Purpose This announcement includes the following topics:

- ✓ Desktop Underwriter Release Notes-DU Version 10.1.
- ✓ FNMA Selling Guide Announcement SEL-2018-06 and clarification of MSI Alignment.

Effective Date **Effective for DU Case files submitted after July 29, 2017.**

- ✓ Selling Guide Updates and clarification for MSI alignment.

DU Version 10.1 Underwriting During the weekend of July 29, 2017, FNMA will implement DU Version 10.1. The changes associated with this release will apply to new loan casefiles submitted to DU on or after the weekend of July 29th 2017. Loan casefiles created in DU version 10.0 and resubmitted after July 29th will continue to be underwritten through DU version 109.0. This release also includes the retirement of DU Version 9.3

Debt to Income Ratios: Standard Conventional and High Balance Conforming Product;
Simpler, more certain underwriting guidelines applied in DU 10.1 should allow more loans with debt to income (DTI) ratios between 45% and 50% to receive an Approve/Eligible recommendation through DU based on the risk assessment of the loan. There will no longer be specific compensating factors required outside of the DU assessment. This will also apply to HomeReady® loans where non-borrower household income, completion of housing counseling prior to the execution of the sales contract will be removed as a requirement for the extended ratio allowance to 50% DTI.

Disputed Tradelines
The risk assessment and messaging for casefiles with disputed tradelines will be simplified. DU will assess the loan considering any disputed tradelines and determine whether or not any investigation of the tradeline(s) is required. *Tradelines reported as medical debt will continue to be excluded from the disputed tradeline identifications. Investigation of disputed medical tradelines is not required*

Self-Employment Income
MSI has aligned with the DU 10.1 update for criteria when verifying income for self-employed borrowers and the DU requirements should be followed when determining the number of tax returns required for self-employment income. –

Student Loan Qualifying Payment Clarification
With the 10.1 update, FNMA is updating the policy to allow for some additional options. If the lender obtains documentation to evidence the actual monthly payment on a student loan is \$0, and is associated with a documented income-driven repayment plan, a \$0 payment can be utilized. Of course the duration of the \$0 payment allowance, and any current changes to the borrower’s monthly income, can change the allowance for a \$0 payment obligation.

MCPA-2017-005

This communication is intended for use only by mortgage professionals and business partners of Mortgage Services III, LLC (MSI).

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Underwriting

Timeshare Accounts

Timeshare accounts may be identified in a borrower’s credit report as being installment or mortgage related debt. With the DU 10.1 update, they are to be treated as installment loans rather than mortgage debt, even if they are identified as mortgage debt on the credit report.

Alimony Treatment

Alimony paid by the borrower can be reduced from the borrower’s monthly qualifying income by the amount of the monthly alimony payment in lieu of including it as a monthly payment obligation in the calculation of the DTI ratio. Enter the adjusted income figure as the income amount in DU.

Mortgages paid by others-

When a borrower is obligated on a mortgage debt but is not the party actually repaying the debt, the debt may be excluded from the DTI ratio if the party making the payments is **obligated** on the mortgage debt and can document the most recent 12 month payment history with no delinquencies. Note: This affects DTI only, and does not circumvent the property ownership unit count requirements. .

Seller Guide

Note:

Questions

The Seller Guide will be updated within 2 business days of this announcement.

We are not currently offering the FNMA 5/5 ARM plan

If you have questions, please contact your Account Executive.

