

TOWNE MORTGAGE COMPANY

BULLETIN

TO: Our Valued Clients

DATE: September 23, 2016

SUBJECT: Fannie Mae DU Version 10.0

BULLETIN: 16-17

***** IMPORTANT NOTICE *****

During the weekend of September 24, 2016 Fannie Mae will implement Desktop Underwriter (DU) version 10.0. This new version will include the following changes/enhancements:

- **Updated Risk Assessment:** Appendix A details a comparison of risk factors evaluated by DU in the current version 9.3 and the new version 10.0.

Trended Credit

DU will use Trended credit data in the credit risk assessment which provides a monthly history of the account including the balance, minimum scheduled payment and actual payment made on the account. DU will only use the trended credit data **on revolving accounts** for the most recent 24 months payment history for now.

The new system should benefit borrowers who regularly pay off revolving debt or make more than the minimum payment on revolving accounts. A borrower's whose credit utilization is high and/or make only minimum payments on revolving accounts will be considered higher risk.

The credit report used for DU 10.0 submissions **MUST** be the version that supports trended data. If not, an error will show on the DU findings. It is our belief that all credit bureaus are now providing reports in "trended credit" format.

- **Underwriting borrowers without a credit score.**

Towne mortgage will not adopt the changes in the DU 10.0 release note regarding borrowers with no credit scores at this time. We will continue to require that all borrowers have credit scores for conventional loans.

- **Borrowers with multiple financed properties.**

For borrowers purchasing or refinancing second home or investment properties, DU Version 10.0 has simplified the guidelines for borrowers with multiple financed properties. There are fewer eligibility overlays and updated reserve requirements. **Both are now automated within DU.**

DU will now be able to access the number of financed properties owned by the borrower and will apply the eligibility guidelines for borrowers with more than 4 financed properties.

- Borrower with 1-6 financed properties - standards policies apply
- Borrowers with 7-10 financed properties will require minimum 720 credit score – all other standard eligibility policies apply

DU will now also determine the reserves required for the other residential financed properties (those that are not the borrower's principal residence and not the subject property).

New reserve requirements:

- Reserve requirement for other financed properties (not primary residence or subject property) will be determined by applying a specific percentage to the aggregate total of outstanding unpaid principal balance (UPB) for all mortgage and HELOCs on the application. Percentages are applied and based on number of financed properties as follows:
 - 2% of aggregate UPB if the borrower has 1-4 financed properties
 - 4% of aggregate UPB for 5-6 and;
 - 6% for 7 or more financed properties

Attached is a copy of the DU 10.0 Release Notes, Appendix A mentioned above and the 10.0 FAQs. Contact your Account Executive with any questions.

Thank you,
Operations Group
Towne Mortgage Company