Creating Opportunities, Together.
Simplicity. Certainty. Liquidity. Relationships.

Desktop Underwriter® (DU®) Version 10.0 Overview

February 2016

DU Version 10.0

- ***Release Date:*** *Weekend of June 25, 2016*

DU Is Getting Even Better

- *A new scorecard that better predicts risk*
- *Automates underwriting of loans for borrowers with no traditional credit*
- *Automates the underwriting for borrowers with multiple financed properties*

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Enhanced Credit Risk Assessment

We regularly review the DU risk assessment to ensure our underwriting and eligibility criteria provide greater clarity and certainty

- A risk assessment that will continue to consider the likelihood of a loan becoming delinquent based on the factors listed below
- There is no expected impact on the percent of loans that receive an Approve/Eligible recommendation

Non-credit risk factors	Credit risk factors
▪ Equity and loan-to-value ratio ▪ Liquid reserves ▪ Debt-to-income ratio ▪ Loan purpose ▪ Loan type ▪ Loan term ▪ Property type ▪ Number of borrowers ▪ Self-employed borrowers ▪ Occupancy	▪ Credit history (age of accounts) ▪ Utilization and payment history (using trended credit) ▪ Recency and severity of accounts with late payments ▪ Public records, foreclosures, deed-in-lieu of foreclosures, preforeclosure sales, mortgage charge-offs, and collection accounts ▪ Inquiries

Items in blue are new in DU Version 10.0

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What's New: Trended Data – a Powerful Predictor of Risk

Use of trended data in the DU risk assessment allows a smarter, more thorough analysis of the borrower's credit history

Enhancement	Impact
▪ First introduction of new credit data into the risk assessment for mortgages in the last quarter of a century ▪ Shows a monthly history of some key factors for "revolving accounts," basically credit cards. We can see a 24 month history of several factors, including: ✓ Balance = current balance amount ✓ Scheduled Payment = scheduled payment amount ✓ Actual Payment = actual payment amount ▪ The risk assessment will benefit borrowers who regularly pay off their revolving debt ▪ Since it looks at a trend, borrowers can make immediate improvements to their credit assessment by making higher payments on their credit cards	▪ The updated risk assessment will benefit borrowers who regularly pay off their revolving debt. ▪ The trended data **will** appear on the printable credit report (.rpt or .txt) ▪ The trended data **will not** be included in the credit .dat file. No changes were made to the codes, file format, and structure of the .dat ▪ Trended data **will not** be used for manual underwriting or for loans underwritten outside of DU ▪ For loans underwritten outside of DU, lenders do not need to consider trended data in the underwriting and eligibility criteria ▪ For loan casefiles underwritten through DU, Fannie Mae does not expect lenders to analyze the trended data provided on the printed credit report ▪ The process for ordering and reissuing credit reports for use in DU does not change

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What's New: Underwriting Borrowers w/No Traditional Credit

Automates the policies for underwriting borrowers w/no traditional credit

Enhancement	Impact
▪ Implementation of automated solution for borrowers with no traditional credit (no credit score)	▪ You can leverage the power of DU to underwrite loans in which no borrowers have a credit score ▪ When a DU loan casefile is submitted and the credit report(s) show that no borrowers on the loan casefile have a credit score, DU will underwrite the loan and provide a recommendation ▪ DU will no longer issue an Out of Scope recommendation when no borrowers on the loan casefile have a credit score unless the specific eligibility guidelines are not met (one-unit, owner occupied, purchase and LCOR, etc.) ▪ Underwriting guidelines will include the verification of at least two non-traditional credit sources, one of which must be housing-related

You can take borrowers without a credit score down an automated underwriting path toward homeownership!

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What's New: Simplify Underwriting for Borrowers w/Multiple Financed Properties

DU automates eligibility requirements and required reserves

Enhancement	Impact
▪ The multiple financed properties policy applies when a borrower is financing a second home or investment property and is currently obligated on other financed properties. ▪ The updated policy will require fewer eligibility overlays and simplified reserve requirements, which will be automated with DU Version 10.0.	▪ A "Number of Financed Properties" field will be added to capture the number of financed one- to four-unit residential properties (including the subject transaction) for which the borrower(s) are personally obligated ▪ When the "Number of Financed Properties" field is not provided, DU will determine the number of financed properties based on the information included in the Real Estate Owned (REO) section of the loan application. If the REO section is not completed, the number of mortgages disclosed on the loan application or the credit report will be used ▪ DU will issue a message to let you know what number was used as the Number of Financed Properties and where that information was obtained (new field, REO section, mortgage on application, or mortgages on credit report) ▪ DU will use the "Number of Financed Properties" to apply the appropriate eligibility guidelines (cannot have more than 10, minimum credit score of 720 for 7-10 financed properties) ▪ DU will also determine the reserves required for both the subject property and the other (non-subject, non-primary residence) properties; you will no longer need to manually calculate the other financed properties reserve requirements outside of DU ▪ The existing policy that requires lenders to calculate reserves using the PITIA of each financed property is being replaced by a new, simpler method. The reserves required for the other properties will be based on a percentage of the aggregate UPB of the mortgages and/or HELOCs disclosed on the loan application (2% for 1-4 financed properties, 4% for 5-6, 6% for 7-10). ▪ If at any time the loan casefile does not meet the eligibility requirements and/or reserve requirements, DU will issue an "Ineligible" recommendation and a message will be issued to let you know what guideline was not met

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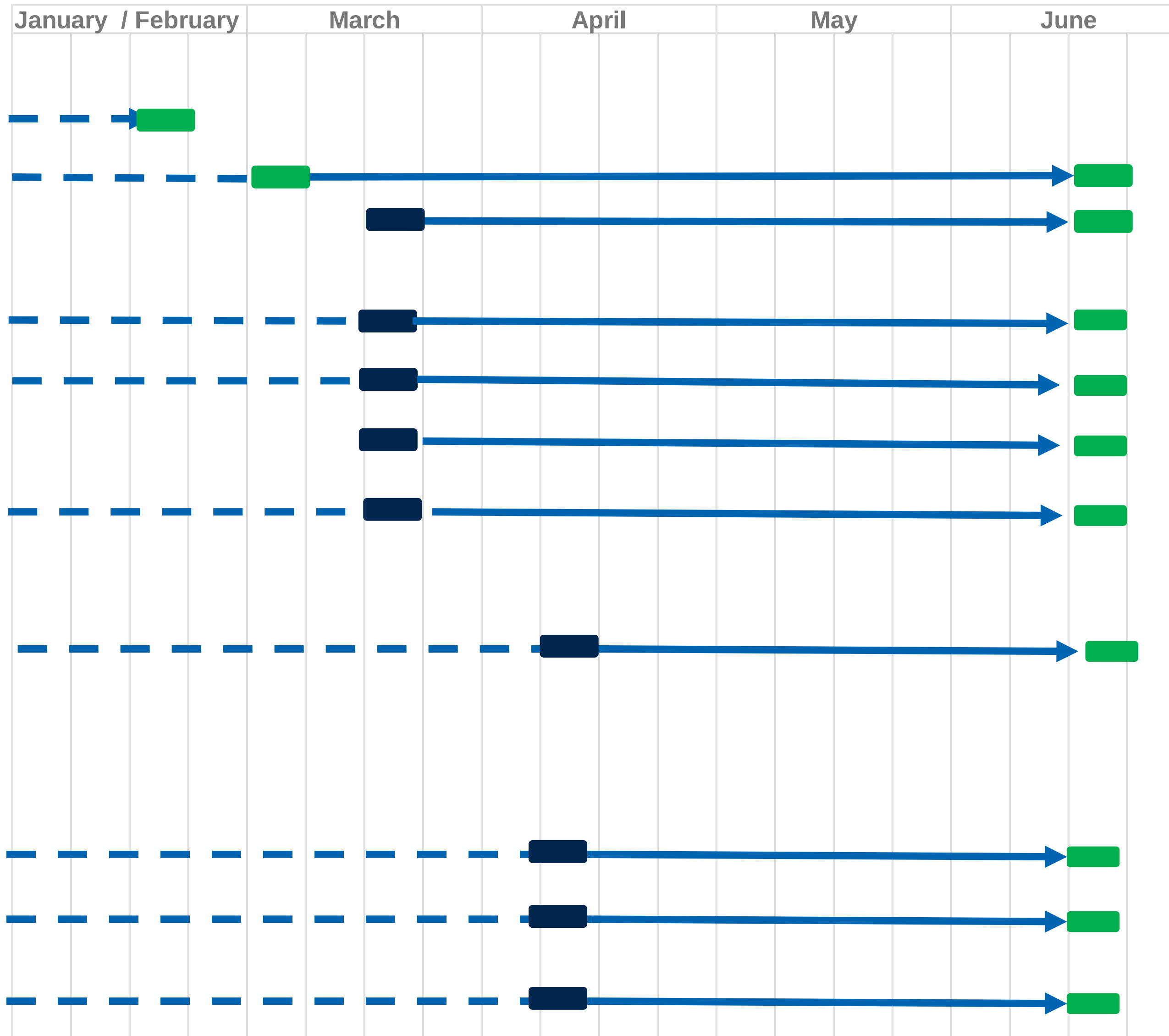
DU Version 10.0 Assessment and Implementation Roadmap



DU Version 10.0 Release Notes

- Review DU Version 10.0 Release Preview
- Review DU Version 10.0 Release Notes
- Participate in DU Version 10.0 Webinars

Trended Credit Data

- Assess / Implement business process changes
- Assess / Implement any training needs of front-end origination staff (e.g., LOs, processors, underwriters)
- Review Fannie Mae Commentary and Infographic
- Contact your CRA to assess operational impacts and any related contract costs

Underwriting borrowers with no credit score

- Assess / Implement any training needs of front-end origination staff (e.g., LOs, processors, underwriters, etc.) – ensure awareness of DU capabilities on these loans

Multiple Financed Properties Policy Update

- Assess / Implement any training needs of front-end origination staff (e.g., LOs, processors, underwriters, etc.)
- If applicable, contact your TSP to assess operational readiness
- Assess internal IT development team for proprietary systems

Assessment Timelines | Develop and execute Implementation Timelines | Implement

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