

DU for Government Loans Release Notes December 2011 Release

September 27, 2011

Updated October 25, 2011

During the **weekend of December 17, 2011**, Desktop Underwriter® (DU®) for government loans will be updated as follows for VA loan casefile submissions. *Update: Additional changes have been added to this release. Details are included below.*

- VA Credit Risk Assessment Updates
- *Update: FHA & VA Loan Limit Changes*
- *Update: FHA Message Updates*

NOTE: For ease of reference, this document generally uses the term “DU” to refer to “DU for government loans.”

Updates to the Credit Risk Assessment for VA Loan Casefiles

The credit risk assessment for the U.S. Department of Veteran’s Affairs (VA) loan casefiles will be updated with this release. As a result of these updates, customers should expect to see:

- Overall improved credit characteristics for loan casefiles that receive an Approve recommendation.
- A change in the underwriting recommendation for some loan casefiles. For example, some loan casefiles that previously received an Approve recommendation may now receive a Refer recommendation.
- Reduced Approve recommendation rates. The overall reduction may vary by customer depending on the credit characteristics of the VA loan casefiles submitted to DU.

VA loan casefiles created on or after the weekend of December 17, 2011, will be evaluated using the new credit risk assessment. In addition, VA loan casefiles created prior to December 17, 2011, and resubmitted to DU on or after the weekend of December 17, 2011, will be evaluated using the new credit risk assessment if there are changes to any of the key credit characteristics of the loan casefile (e.g., LTV).

The following new message will be issued on every VA loan casefile that is submitted to the new credit risk assessment:

Version Number: <insert number>

FHA & VA 2012 Loan Limit Changes

FHA

Provided the 2012 FHA county loan limit file is published in time, it will be incorporated in this release. The new county loan limits, when published, will be available on HUD’s Web site at <https://entp.hud.gov/idapp/html/hicostlook.cfm>.

Submissions made prior to the weekend of December 17, 2011, will be based on the current county loan limits. Loan casefiles resubmitted, or created, after the weekend of December 17, 2011, will be based on the January 2012 county loan limits.

Since the eligibility assessment could be inaccurate, lenders are responsible for ensuring that the correct FHA county loan limits are applied on all submissions and resubmissions to DU.

VA

Provided the 2012 VA county loan limits are published in time, they will be incorporated in this release. The new county loan limits, when published, will be available on VA's Web site at http://www.homeloans.va.gov/loan_limits.htm.

Submissions made prior to the weekend of December 17, 2011, will be based on the current county loan limits. Loan casefiles resubmitted, or created, after the weekend of December 17, 2011, will be based on the January 2012 county loan limits.

Because DU does not know the closing date associated with a loan casefile, lenders are responsible for ensuring that the correct VA county loan limit is applied for all submissions to DU.

FHA Message Updates

The following message will be updated to display the Sponsor Originator EIN, if one is entered:

The following credentials from the loan application were used to submit the loan casefile through the FHA TOTAL Mortgage Scorecard:

Lender ID |Sponsored Originator EIN |Sponsor ID

Based on the guidelines published in HUD's Online Lender Handbook 4155.1 1.B.2.h Appraisal Documentation, the logic in the current FHA appraisal messages will be updated to only issue on properties with one unit, and the following new message will be issued on properties with two to four units:

The Small Residential Income Property Appraisal Report (Fannie Mae Form 1025) and the form HUD-92800.5B, Conditional Commitment/DE Statement of Appraised Value are required on this 2-4 unit property. Also, a Market Conditions Addendum is required (Fannie Mae Form 1004MC/ Freddie Mac Form 71).

The following new appraisal message will be issued when the property type is a condominium:

The Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073) and the form HUD-92800.5B, Conditional Commitment/DE Statement of Appraised Value are required on this condominium. Also, a Market Conditions Addendum is required (Fannie Mae Form 1004MC/ Freddie Mac Form 71).

The following new appraisal message will be issued when the property type is a manufactured home:

The Manufactured Home Appraisal Report (Fannie Mae Form 1004C) and the form HUD-92800.5B, Conditional Commitment/DE Statement of Appraised Value are required on this manufactured home. Also, a Market Conditions Addendum is required (Fannie Mae Form 1004MC/ Freddie Mac Form 71).

The following message will be removed:

This loan casefile is ineligible for FHA financing as the mortgage payment (PITI) on the 3-4 unit subject property is greater than the subject net cash flow.

Additional Resources

For additional information, please reference the documents or Web sites listed in the chart below.

Document Name & Description	URL
Online HUD Handbook 4155.1, Mortgage Credit Analysis for Mortgage Insurance	http://www.fhaoutreach.gov/FHAHandbook/prod/contents.asp?address=4155-1
HUD Mortgagee Letters	http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/
HUD CHUMS Data Files Page (Loan Limit Files)	http://www.hud.gov/pub/chums/file_layouts.html
FHA Resource Center: Contact Information and FAQs	http://www.hud.gov/offices/hsg/sfh/fharesourcectr.cfm
VA Lenders Handbook	http://www.benefits.va.gov/warms/pam26_7.asp
VA Circulars	http://www.benefits.va.gov/homeloans/new.asp
VA Regional Loan Centers: Contact Information	http://www.benefits.va.gov/homeloans/rlcweb.asp
VA Loan Limit Page	http://www.benefits.va.gov/homeloans/loan_limits.asp

For More Information

More information can be found in the Help Center, which is accessed through the Desktop Originator® DO®/DU User Interface. Additionally, lenders may contact their Fannie Mae Account Team, and mortgage brokers should contact their DO sponsoring wholesale lender. For questions regarding HUD policies and guidelines, lenders and mortgage brokers should contact HUD at 1-800-CALL-FHA (1-800-225-5342). For questions regarding VA policies and guidelines, lenders and mortgage brokers should contact their VA Regional Loan Center.