



## Tom Payne

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## New DU Version Eases DTI Requirements

Fannie Mae has announced changes in underwriting for loans submitted to its Desktop Underwriter (DU), Version 10.1. The new DU version will be implemented on or after the weekend of **July 29**. The changes are outlined in release notes issued on Tuesday and will apply to new loan casefiles submitted to DU on or after the weekend of July 29, 2017. Loan casefiles created in DU Version 10.0 and resubmitted after the weekend of July 29 will continue to be underwritten through DU Version 10.0.

Among the more significant changes accompanying the new version are the following.

- The maximum allowable debt-to-income (DTI) ratio that can be submitted in DU **will be 50%**. For DTIs between 45 and 50 percent, certain additional compensating factors will no longer be required. Cases exceeding a 50 percent DTI will receive an "ineligible" recommendation.
- The criteria that determines the documentation required to verify a self-employed borrower's income will be updated and the number of DU loan casefiles eligible for the one year of personal and business tax return documentation requirements will increase.
- The maximum allowable LTV, CLTV, and HCLTV ratios (LTV ratios) for adjustable-rate mortgages will be aligned with fixed-rate mortgage LTV ratios for all transaction, occupancy, and property types, up to a maximum of 95%. Additional information on the effective dates of this change will be available in the Selling Guide.
- A loan casefile with a disputed tradeline that is approved with that information will **no longer** require further action. If such a loan casefile does not receive an Approve recommendation, the lender must determine the accuracy and completeness of the tradeline information. If the borrower is responsible and the information accurately and completely reports the account, then the lender may manually underwrite the loan if it is eligible. Tradelines reported as medical debt will continue to be excluded from the disputed tradeline identification and lenders are not required to investigate disputes.
- DU is regularly reviewed to determine if its risk analysis is appropriate. Version 10.1 will include an update to this risk assessment and it is expected to **increase the percentage of Approve/Eligible** recommendations received by lenders, particularly those with DTI ratios between 45 and 50 percent.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00
<b>Freddie Mac</b>			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00
<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/22

## Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

# Housing News Update

The new DU version will also contain changes in or will generate new messages about underwriting issues in the following areas:

	Value	Change
Builder Confidence	Mar 51	+6.25%

- Income and Employment Updates
- Property Inspection Waivers
- Student Loan Cash-Out Refinance
- Employment Offers
- Multiple Financed Properties
- Site Condo Reviews
- Timeshares
- Homebuyer Education

Version 10.1 will also support the final Consumer Financial Protection Bureau rule implementing amendments to the Home Mortgage Disclosure Act (HMDA) which modified the reportable data requirements related to collection of information of borrower ethnicity, race, and gender.

Fannie Mae says that with the release of the DU Version 10.1, **Version 9.3 will be retired**. Effective the weekend of July 29, resubmissions of loan casefiles to the old version will not be accepted although applications and Underwriting Findings reports will still be available for viewing. To obtain an updated underwriting recommendation after the retirement date customers must create a new loan casefile.

## Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its "Proposed Criteria for Evaluating Home Buyer Contract Forms" on Tuesday. The 15 criteria focus on the contracts' form – whether the documents are readable and understandable – and content – whether they are fair to homebuyers.

- the document's expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
- the right to terminate the contract
- the disclosure that compensation is negotiable
- the broker's compensation clearly stated and that the buyer broker can't receive additional compensation for facilitating a sale
- that any additional fees, such as for showing a home, will be deducted from the broker's commission if there is a successful sale
- that the commission is due only if there is a successful closing
- that buyers have an obligation – for no longer than 60 days, CFA recommends – to pay a broker who earlier showed them a home they purchased after the contract ended
- seller concessions paid directly to buyers
- dual agency not pre-approved by the contract
- an explanation of how a broker treats different buyer clients interested in the same property
- that buyers should not be required to first go through mediation or arbitration if they have a complaint

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