

Home Savings of America

Wholesale Lending

BROKER BULLETIN



FNMA DU 8.3 released on August 20, 2011

The following is a summary of key changes incorporated into DU 8.3.

1. High-balance Mortgage Loan Limits

NOTE: As previously announced, loans utilizing the temporary higher loan balance must be submitted to HSOA and locked by September 1, 2011 and funded by September 30, 2011.

Loans submitted after September 1, 2011 or fund after September 30, 2011 will be subject to the permanent high cost area loan limits.

DU Version 8.3 will be updated to reflect the applicable high-cost area loan limits depending on when the loan casefile is created in DU. The following high-cost area loan limit messages will be applied to DU loan casefiles based on the date the loan casefile is created in DU.

Loan casefiles created in DU on or before September 30, 2011 that exceed the temporary high-cost area loan limit will receive an Ineligible recommendation.

For loan casefiles created in DU on or before September 30, 2011 that do not exceed the temporary high-cost area loan limit, but do exceed the permanent high-cost area loan limit, DU will issue the following message:

The loan amount for this high-balance mortgage loan casefile exceeds the maximum allowable high-cost area loan limit of <permanent high-cost area loan limit> for loans with a mortgage note date after <09/30/2011>. However, the loan limit does comply with the maximum allowable high-cost area loan limit of <temporary high-cost area loan limit> for loans with a mortgage note date on or before <09/30/2011>.

Loan casefiles created in DU after September 30, 2011 that exceed the permanent high-cost area loan limit will receive an Ineligible recommendation.

DU Version 8.2 will continue to use the temporary high-cost area loan limits. The existing high-balance mortgage loan message will be updated as follows to remind lenders of the mortgage note date requirement associated with the temporary high-cost area loan limit.

This loan casefile was underwritten according to the guidelines outlined for high-balance mortgage loans and must meet all the terms and conditions specified in the Selling Guide. Based on the subject property data entered, DU determined that the subject address is located within the county of <county name> and used the corresponding high-cost area loan limit of \$<temporary high-cost area loan limit>. This loan limit applies to loans with a mortgage note date on or before September

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30, 2011. For loans with a mortgage note date after September 30, 2011, the lender must confirm that the loan amount complies with the applicable high-balance loan limit, based on the county and the mortgage note date, in order for the loan to be eligible for delivery to Fannie Mae.

If either of the above messages appear in the DU findings, HSOA will add a loan condition that the loan must be locked by September 1 (applicable to loans not already locked), and funded by HSOA by September 30, 2011.

2. HCLTV

A new field will be added to the online loan application to capture the interested party contributions that exceed the maximum amount permitted for the occupancy and CLTV of the loan casefile. This field will be called "IPCs: Excess Financing Concessions or Sales Concessions Amount" and will be located in the Details of Transaction section of the online loan application on the DO/DU user interface. When an amount is entered in this field, DU will use the value to calculate an adjusted LTV, CLTV, and HCLTV (LTV ratios). These adjusted LTV ratios will be used only in the following messages.

The loan application indicates that there are interested party contributions (IPCs) in excess of our standard guidelines and/or sales concessions in an amount of <amount entered>. Using this information, DU has calculated an adjusted LTV of <adjusted LTV>%, CLTV of <adjusted CLTV>%, and HCLTV of <adjusted HCLTV>%. As the DU risk and eligibility assessment is based on the standard LTV, CLTV, and HCLTV ratios, the lender must use these adjusted ratios to determine the MI coverage amount that must be obtained (if applicable), and to ensure the loan casefile is eligible for delivery to Fannie Mae. If the adjusted LTV exceeds 80%, MI must be obtained.

The DU Underwriting Findings Report will be updated in order to reflect the home equity combined loan-to-value ratio (HCLTV) in the Underwriting Analysis Report section of the DU Underwriting Findings Report.

3. Asset Documentation Requirements

In accordance with Announcement SEL-2011-04, the retirement account messages will be updated to eliminate the requirement that documentation evidencing the terms of the withdrawal must be included in the loan file, and to explicitly state that retirement accounts that do not allow for any type of withdrawal may not be considered as an asset. The depository asset, stock, bond, and mutual fund messages will also be updated to clarify how the funds must be verified if they are being used for the down payment or closing costs, or being documented to support reserves.

Regarding "retirement accounts that do not allow for any type of withdrawal may not be considered as an asset": for borrower-initiated IRA funds, no action is required; for employer provided (401-k, PERS, pension, etc). file documentnation must show the borrower's ability to withdraw funds.

4. Revolving Debts Marked Paid by Close

With DU Version 8.2, all revolving accounts are required to be included in the debt-to-income (DTI) ratio, regardless of the number of payments remaining. This requirement also applies when the revolving account is being paid off at closing but the account is not being closed.

Because DU cannot determine if an account is being closed, lenders have been instructed not to indicate on the online loan application that a revolving account is being paid by close unless that revolving account will also be closed. **DU Version 8.3 will include a new message that will be issued on revolving debts that are marked paid by close to remind lenders that those debts must also be closed;** otherwise they must be included

in the DTI.

Based on the loan application there is a revolving debt being paid at closing. If this debt is not being closed after the debt is paid off, it must be included in the total expense payment and may not be indicated as being paid by close in DU.

Borrower

	Creditor	Payment	Balance
<i>Borrower</i>	<i>ABC Credit Card</i>	<i>\$25.00</i>	<i>\$2500.00</i>

5. Auto-Populating Liabilities from the Credit Report

Lenders can automatically copy a borrower's liabilities from the credit report to the Liabilities section of the online loan application by selecting the auto-populate liabilities option from DU when the credit report is ordered. Currently, open accounts without a balance are copied to the Liabilities section of the online loan application. The auto-populate liabilities logic will be updated so only liabilities with a balance are auto-populated to the online loan application when the lender chooses the auto-populate liabilities option.

6. Retirement of DU Version 8.1

With the release of DU Version 8.3, DU Version 8.1, which went into production the weekend of June 19, 2010, will be retired. Therefore, **effective the weekend of August 20, 2011, customers will no longer be able to resubmit loan casefiles to DU Version 8.1**; however, customers will continue to be able to view online loan applications and DU Underwriting Findings Reports that were created under DU Version 8.1. To obtain an updated underwriting recommendation after the weekend of August 20, customers must create a new loan casefile and submit it to DU.

Questions

If you have any questions, contact your Community Banker.

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