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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
Mortgage News Daily			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
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%

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	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.

Service oriented, responsive, competitive rates and an in depth knowledge of today's mortgage market

After completing my degree in finance at the University of Connecticut, I started in the mortgage business right out of college in 2004. With 15+ years of experience and a primary objective of thoroughly explaining all available loan options to my clients with what is typically the largest investment in their lives, I strive to always make myself available. I constantly educate myself with respect to the mortgage industry and underwriting guidelines for FHA, VA, conventional and jumbo financing. I deliver on the expectations discussed up front and provide the service level my clients deserve from day one. I will remain in touch throughout the process and continue to follow up with you after closing. My goal is to wow you and turn you into clients for life. I want you to be so impressed that throughout and after the process you share my information with your friends, family, neighbors and co-workers who may value from my services.

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