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## DU Version 12.0 Release

Truist Bank (Truist) announces the release of Fannie Mae's Desktop Underwriter® (DU®) Version 12.0, scheduled for this weekend, January 11, 2025. The changes in this release will include the following updates:

- retirement of DU Version 11.0
- DU risk and eligibility assessment update
- revised recommendation for certain significant derogatory credit events
- expansion of the types of loans eligible for borrowers without credit scores

**Note:** *Truist is **not** fully aligning with this update. See "Bulletin Details" for additional information.*

- extension of the benefits of a positive rent payment history and cash flow assessment to more borrowers
- DU Value Acceptance (appraisal waivers) and DU Value Acceptance + Property Data offers loan-to-value (LTV) increase for purchase transactions

**Reminder:** *DU loans originated with a DU Value Acceptance + Property Data offer must be underwritten by the Correspondent lender (approved by Truist for delegated underwriting authority).*

We also refresh various DU requirements to promote consistency and/or to more closely align with Fannie Mae's presentation of guidance.

### Effective Dates

- Fannie Mae retires DU Version 11.0 on January 11, 2025.
- Fannie Mae implements DU Version 12.0 effective for new loan casefiles submitted to DU on or after the weekend of January 11, 2025. *(Loan casefiles created in DU Version 11.1 and resubmitted after the weekend of January 11, 2025, will continue to be underwritten through DU 11.1.)*
- The DU Value Acceptance (appraisal waiver) and DU Value Acceptance + Property Data offers increased LTV ratios for purchase transactions are effective for new DU loan casefiles underwritten with DU Version 12.0, as well as resubmissions of DU loan casefiles underwritten with DU 11.1 on or after the weekend of January 11, 2025.

### Background Information

In Desktop Underwriter/Desktop Originator Release Notes DU Version 12.0, Fannie Mae announced the release of DU Version 12.0 and related updates. We also continue to identify opportunities to improve the presentation of our published Agency requirements.

## Bulletin Details

### Retirement of DU Version 11.0

With the release of DU Version 12.0, Fannie Mae retires DU Version 11.0. Complete final submissions of all DU Version 11.0 loans (to DU Version 11.0) before January 11, 2025, or obtain an updated underwriting recommendation by submitting a new loan casefile to DU Version 12.0 on or after the weekend of January 11, 2025.

### DU Risk and Eligibility Assessment Update

With the release of DU Version 12.0, Fannie Mae will:

- deliver meaningful improvements in DU's ability to analyze mortgage delinquency risk through a comprehensive examination of the risk factors from the loan application and the credit risk factors from a borrower's credit report,
- extend the benefits of a positive rent payment history and cash flow assessment to more borrowers (See *"Rent Payment History" and "Cash Flow Assessment" subsequently presented in this bulletin for additional details*), and
- expand their ability to evaluate borrowers with thin credit and no credit scores (See *"Loans for Borrowers Without Credit Scores" subsequently presented in this bulletin for additional details*).

**Updated Risk Factors:** DU will continue to evaluate multiple factors from the borrower's loan application and credit report to perform a comprehensive risk assessment; however, the following risk factors will be updated with DU Version 12.0:

- **Debt-to-Income Ratio/Debt Composition:** DU will continue to evaluate the composition of the borrower's debt; however, DU will no longer look at the composition, or proportion, of revolving debts within the borrower's total monthly expenses. DU will continue to look at the borrower's debt composition in relation to student loan debts.
- **Variable Income:** DU will no longer evaluate a borrower's variable income (i.e., bonus, overtime, commission, and miscellaneous) as a factor in the DU risk assessment.
- **First-time Homebuyer:** The presence of a first-time homebuyer on the loan application will now be considered a mitigating factor in the DU risk assessment. DU Version 12.0 research showed that loans where a borrower identified themselves as first-time homebuyers performed better than similar loans for borrowers that had previously owned a home.

**Risk Factor Messaging:** The messages in DU that specify the risk factors that impacted the recommendation will be updated to reflect the changes to the risk factors noted above and will also provide additional specificity regarding the credit risk factors from a borrower's credit report. The *Lender Guidance for Use with Applicants* messages will also be updated to provide additional actionable guidance on potential updates to the terms of the loan, or the use of a 12-month asset report that includes the borrower's rent payment history, to help improve the recommendation received by DU.

## Bulletin Details, continued

### Significant Derogatory Credit Event Treatment

When it does not appear that a borrower has met the applicable waiting period requirements for a foreclosure or bankruptcy, DU Version 12.0 will issue an Ineligible recommendation instead of a Refer with Caution recommendation. *No changes are being made to the waiting periods required for the significant derogatory credit events specified above.*

The same change will be made on loan casefiles for a borrower whose credit report contains a mortgage tradeline that is 60 or more days past due when the account was last reported; DU Version 12.0 will issue an Ineligible recommendation instead of a Refer with Caution recommendation.

### Loans for Borrowers Without Credit Scores

- **Loans Delivered Under the Non-CorrAdvantage Execution Method:**

- **No Borrower Has a Credit Score:** With the release of DU Version 12.0, Fannie Mae is expanding the types of loans eligible when no borrower on the loan application has a credit score. Truist is **not** aligning with this update. At this time, Truist is maintaining our existing overlay that requires at least one borrower on the transaction to have a credit score.
- **At Least One Borrower Has No Credit Score and Another Borrower Has a Credit Score:** With the release of DU Version 12.0, these transactions will no longer be subject to limitations on loan purpose or occupancy and will be subject to standard eligibility requirements (*including eligibility of Agency Plus, Agency Plus Select, and HomeReady Plus [i.e., high balance] loans*).

***Note:** When the borrower without a credit score is contributing 50% or less of the qualifying income, DU will continue to require the lender to document a nontraditional credit history for each borrower without a credit score. See today's revised product materials for additional details.*

- **Loans Delivered Under the CorrAdvantage Execution Method:** Loans where ALL borrowers do not have a credit score are ineligible for delivery. This restriction will continue to apply for all loan products that are eligible for CorrAdvantage.

### Rent Payment History

DU currently only considers positive rent payment history using a 12-month asset verification report for first-time homebuyers purchasing a primary residence and requires the borrower to have a credit score. With the release of DU Version 12.0, Fannie Mae will expand the evaluation of rent payment history to the following:

- Certain additional borrowers currently paying rent, even if that borrower has had an ownership interest in another property for the last three years.
- Positive rent payment history using any rental accounts reported on the borrower's credit report will be considered, in addition to the continued use of rent payments identified on a 12-month asset verification report.

## Bulletin Details, continued

### Rent Payment History, continued

DU will continue to issue messages specifying when the borrower’s rent payment history was used and will indicate if that rent was used from the asset verification report or the credit report. When the rent payment was not used, DU will continue to indicate the reason it was not used.

### Cash Flow Assessment

For certain loan casefiles, DU can conduct a cash flow assessment when the lender provides a 12-month third-party asset verification report for the borrower. DU will assess the borrower’s cash flow management history to determine whether it can be used to positively supplement the credit risk assessment.

DU currently conducts a cash flow assessment on loan casefiles where no borrower has a credit score. With the release of DU Version 12.0, the positive benefits of a cash flow assessment will no longer be limited to borrowers without a credit score. *See today’s revised product materials for additional eligibility requirements.*

### Value Acceptance LTV Ratio Increase

With the release of DU Version 12.0, the eligible LTV ratios for purchase loans (1-unit only) to receive a Value Acceptance (appraisal waiver) offer will increase from 80% to 90% and to receive a Value Acceptance + Property Data offer will increase from 80% to the program limits. The table below outlines the updated eligibility that will be applied to loan casefiles submitted or resubmitted to DU on or after the weekend of January 11, 2025.

Updated Maximum LTV Ratio Purchase Transactions (1-Unit Only)	
Value Acceptance (Appraisal Waivers)	90% <sup>1</sup>
Value Acceptance + Property Data	97% <sup>2</sup> (up to program limits)
<sup>1</sup> Primary residences in “high-needs rural” locations are eligible up to a 97% LTV/105% TLTV (if the loan is part of a Community Seconds transaction) for borrowers at or below AMI, contingent on home property inspection. <sup>2</sup> The TLTV may exceed the stated limit up to 105% TLTV only if the loan is part of a Community Seconds transaction.	

**Note:** See the *Bulletin Summary* (on page one) for a reminder regarding the underwriting restriction for loans purchased with a DU Value Acceptance + Property Data offer.

### Standards Improvements Updates

All other updates made to the subtopics outlined below were in support of our standards improvement initiative. With these additional updates, we refreshed DU requirements to promote consistency and/or to more closely align with Fannie Mae’s presentation of guidance (*intent of requirements remained the same*):

- Bankruptcies, Foreclosures, Deeds-In-Lieu, Short Sales, and Mortgage Charge-Offs
- Mortgage Payment History
- Fannie Mae’s DU Value Acceptance (Appraisal Waivers)
- Fannie Mae’s DU Value Acceptance + Property Data

## Bulletin Details, continued

### Before and After Matrix

[Click here](#) to see the before and after matrix that provides a detailed overview of all standard revisions.

### Revised Materials

Click [Agency Loan Standard](#), [Fannie Mae HomeReady®](#) and [Freddie Mac Home Possible® Mortgages Standard](#), and [Agency Overlays Matrix](#) to review the revised product materials.

### Former Standards

See the before and after matrix provided in the Bulletin Details section of this bulletin to access the former standards.

## Other Resources

Support Group	Description and Contact Information:
Correspondent Relationship Coordinator	Specific questions on applying this procedure to specific loan files. Contact your Correspondent Relationship Coordinator at 800.382.2111, option 1.
Product Support	Provides phone and email support on products, policies, and procedures as well as new product rollout and existing product enhancement. Contact Product Support at 800.382.2111, option 3.

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