



Underwriting Borrowers without Traditional Credit Automating a Manual Process

Fannie Mae’s Desktop Underwriter® (DU®) is the industry-leading automated underwriting system. For more than 20 years, DU has provided lenders a comprehensive risk assessment that determines whether or not a loan meets Fannie Mae eligibility requirements. For many years, lenders have had the ability to underwrite loans for which none of the borrowers on the loan have traditional credit or a credit score; but these loans were not eligible for DU and required manual underwriting. DU simplifies the process for lenders when underwriting a loan on which no borrower has traditional credit.

Eligibility Criteria

To ensure the overall risk assessment is appropriate for loans on which no borrower has traditional credit, DU will apply the following additional underwriting guidelines:

- Principal residence transaction, all borrowers will occupy the property
- One-unit property (may not be a manufactured home)
- Purchase or limited cash-out refinance transaction
- Fixed-rate mortgage
- Loan amount must meet the general loan limits (may not be a high-balance mortgage loan)
- LTV, CLTV, and HCLTV ratios may be no more than 90%
- Debt-to-income ratio must be less than 40%

Risk Factors

Additionally, DU will consider the following risk factors for borrowers who lack traditional credit histories:

- Borrower’s equity and LTV ratio
- Liquid reserves
- Debt-to-income ratio

Lender Documentation

When an Approve recommendation is received, the lender must document and assess a 12-month pay history for at least two nontraditional credit sources for each borrower, one of which must be housing-related (rent) in accordance with the *Selling Guide*.

If DU does not issue an Approve recommendation, the lender may manually underwrite and document the loan according to the *Selling Guide*.

Underwriting borrowers without traditional credit in DU allows lenders to leverage the power of DU and take many borrowers without a credit score down an automated underwriting path toward homeownership. DU helps lenders reduce overall costs, streamline a manual process, and provide more certainty and simplicity while expanding access to credit and sustainable homeownership for creditworthy borrowers.

For more information on DU go to www.fanniemae.com/singlefamily/desktop-underwriter.

