



Date: July 30, 2014

Topic: Changes to DU 9.1 with regards to short sales/deed-in-lieu/pre-foreclosure and Charge-Off (on mortgage accounts)

The following changes will apply to DU Version 9.1 on loan applications taken **on or after the weekend of August 16th**.

The waiting period for borrowers who have had a previous short sale, deed-in-lieu, or pre-foreclosure are being updated to now require a 4 year waiting period. FNMA will allow a two year waiting period (max LTV of 80%) provided the event was due to extenuating circumstances. JMAC will allow the 2 year waiting periods under our FF direct program only; however the extenuating circumstances must be clearly evident and documented. The waiting period is from the date the short sale/deed-in-lieu was completed (recording date) to the note date of the new loan.

Charge-off Policy Addition:

A new policy will apply to mortgage accounts that have been subject to a charge-off. These accounts will require a four-year waiting period after the charge-off occurred before the borrower is eligible for a new loan that would be salable to Fannie Mae. DU will now issue a message on mortgage accounts with a manner of payment of 9 specifying that the account was identified as being subject to a charge-off and that the lender must confirm the accuracy of the information. If the mortgage account was subject to a charge-off, the lender must document that the event was completed four or more years from the note date of the new loan in order for the loan to be eligible for delivery to Fannie Mae. The event may be completed two or more years from the note date of the new loan(max 80%LTV) when the lender confirms that the mortgage loan meets the applicable timeframes and eligibility requirements for a charge-off due to extenuating circumstances, but again this is available under JMAC's FF direct program only.

Previous significant derogatory events

When DU identifies a bankruptcy, foreclosure, deed-in-lieu of foreclosure, pre-foreclosure sale, or mortgage charge-off, it is up to the lender to determine if the waiting period has been met. DU will instruct the lender that the waiting period is measured from the note date of the new loan, not the credit report date.

On loan casefiles where DU measures the waiting period and uses that information in the eligibility assessment, the credit report date will continue to be used as DU does not know the note date of the new loan. For loan casefiles that will have met the waiting period requirement based on note date, but not credit report date, the lender may pull a new report after the waiting period has elapsed in order to receive an Eligible recommendation.

Definition of Extenuating Circumstances for Derogatory Credit:

Extenuating circumstances are nonrecurring events that are beyond the borrower's control that result in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligations.

If a borrower claims that derogatory information is the result of extenuating circumstances, the lender must substantiate the borrower's claim. Examples of documentation that can be used to support extenuating circumstances include documents that confirm the event (such as a copy of a divorce decree, medical reports or bills, notice of job layoff, job severance papers, etc.) and documents that illustrate factors that contributed to the borrower's inability to resolve the problems that resulted from the event (such as a copy of insurance papers or claim settlements, property listing agreements, lease agreements, tax returns (covering the periods prior to, during, and after a loss of employment), etc.).

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