

Desktop Underwriter Bankruptcy and Mortgage Delinquency Assessment

Data Entry and Instructions

When inaccurate information exists in a credit report, lenders will have the ability to instruct DU to disregard (in the eligibility assessment)

- Inaccurate bankruptcy
- Mortgage delinquency information,
- Disregard a bankruptcy that was due to extenuating circumstances.

Effective Date

These changes will apply to new loan casefiles submitted or resubmitted to DU on or after the weekend of June 23, 2018. See the [DU Version 10.2 June Update Release Notes](#) for additional information.

Inaccurate Bankruptcy

When DU identifies a bankruptcy on the credit report and that information is inaccurate, the lender may instruct DU to disregard that bankruptcy information in the eligibility assessment.

This can be done by entering "**Confirmed CR BK Incorrect**" in the FNMA Streamlined 1003 screen in Encompass (see screenshot below), and resubmitting the loan casefile to DU. When DU sees this indication, the bankruptcy information on the credit report will not be used in the eligibility assessment.

- DU will then issue a message stating that the bankruptcy information was not used in the eligibility assessment because DU was instructed by the user to underwrite the loan casefile without it.
- The lender must then document that the borrower did not declare bankruptcy, or that loan meets the applicable waiting period requirements:
 - ✓ a Chapter 13 bankruptcy must be two or more years or dismissed four or more years from the disbursement date of the new loan, or
 - ✓ all other bankruptcy types must be discharged or dismissed four years or more years from the disbursement date of the new loan.

FNMA Streamlined 1003 Screen – Fannie Mae Additional Data

Fannie Mae Additional Data	
Foreclosure Message for DU If there is prior foreclosure information in the credit report and you would like to instruct DU to disregard the same, please enter the appropriate DU explanation code. DU seeks this in the context of question 'c' in the Declarations section. For additional information, refer to DU guidelines.	
Borrower	Co-Borrower
<input type="checkbox"/> Inaccurate Foreclosure information ("Confirmed CR FC Incorrect") <input type="checkbox"/> Foreclosure due to extenuating circumstances ("Confirmed CR FC EC") <input type="checkbox"/> Deed-in-Lieu of Foreclosure ("Confirmed CR DIL") <input type="checkbox"/> Preforeclosure Sales or Short Sales ("Confirmed CR PFS") <input checked="" type="checkbox"/> Other <input type="text" value="Confirmed CR BK Incorrect"/>	<input type="checkbox"/> Inaccurate Foreclosure information ("Confirmed CR FC Incorrect") <input type="checkbox"/> Foreclosure due to extenuating circumstances ("Confirmed CR FC EC") <input type="checkbox"/> Deed-in-Lieu of Foreclosure ("Confirmed CR DIL") <input type="checkbox"/> Preforeclosure Sales or Short Sales ("Confirmed CR PFS") <input type="checkbox"/> Other <input type="text"/>

Bankruptcy due to Extenuating Circumstances

When DU identifies a bankruptcy on the credit report and it was due to extenuating circumstances, the lender may instruct DU to disregard the information.

The lender must confirm that the bankruptcy meets the applicable timeframes and eligibility requirements for a bankruptcy due to extenuating circumstances. This can be done by entering "**Confirmed CR BK EC**" in the FNMA Streamlined 1003 screen in Encompass, and resubmitting the loan casefile to DU. When DU sees this indication, the bankruptcy information will not be used in the eligibility assessment.

- DU will issue a message stating that the bankruptcy information was not used in the eligibility assessment because DU was instructed by the user to underwrite the loan casefile without it.
- The lender must document that the bankruptcy was due to extenuating circumstances and the loan meets the applicable waiting period requirements:
 - ✓ a Chapter 13 bankruptcy must be dismissed two or more years from the disbursement date of the new loan, or
 - ✓ all other bankruptcy types must be discharged or dismissed two or more years from the disbursement date of the new loan.

FNMA Streamlined 1003 Screen – Fannie Mae Additional Data

Fannie Mae Additional Data	
Foreclosure Message for DU	
If there is prior foreclosure information in the credit report and you would like to instruct DU to disregard the same, please enter the appropriate DU explanation code. DU seeks this in the context of question 'c' in the Declarations section. For additional information, refer to DU guidelines.	
Borrower	Co-Borrower
<input type="checkbox"/> Inaccurate Foreclosure information ("Confirmed CR FC Incorrect")	<input type="checkbox"/> Inaccurate Foreclosure information ("Confirmed CR FC Incorrect")
<input type="checkbox"/> Foreclosure due to extenuating circumstances ("Confirmed CR FC EC")	<input type="checkbox"/> Foreclosure due to extenuating circumstances ("Confirmed CR FC EC")
<input type="checkbox"/> Deed-in-Lieu of Foreclosure ("Confirmed CR DIL")	<input type="checkbox"/> Deed-in-Lieu of Foreclosure ("Confirmed CR DIL")
<input type="checkbox"/> Preforeclosure Sales or Short Sales ("Confirmed CR PFS")	<input type="checkbox"/> Preforeclosure Sales or Short Sales ("Confirmed CR PFS")
<input checked="" type="checkbox"/> Other <input type="text" value="Confirmed CR BK EC"/>	<input type="checkbox"/> Other <input type="text"/>

Inaccurate Mortgage Delinquency

When DU identifies that a mortgage is currently past due by two or more payments, or has been delinquent 60-days or more in the last 12 months, and that information is inaccurate, the lender may instruct DU to disregard that information in the eligibility assessment.

This can be done by entering “**Confirmed Mtg Del Incorrect**” in the FNMA Streamlined 1003 screen in Encompass, and resubmitting the loan casefile to DU. When DU sees this indication, the mortgage delinquency on the credit report will not be used in the eligibility assessment.

- DU will then issue a message stating that the mortgage delinquency information was not used in the eligibility assessment because DU was instructed to underwrite the loan casefile without the information.
- The lender must then document that the mortgage is not currently past due by two or more payments, and that it has not been 60 days or more past due in the last 12 months.

FNMA Streamlined 1003 – Fannie Mae Additional Data

Fannie Mae Additional Data	
Foreclosure Message for DU	
If there is prior foreclosure information in the credit report and you would like to instruct DU to disregard the same, please enter the appropriate DU explanation code. DU seeks this in the context of question 'c' in the Declarations section. For additional information, refer to DU guidelines.	
Borrower	Co-Borrower
<input type="checkbox"/> Inaccurate Foreclosure information ("Confirmed CR FC Incorrect") <input type="checkbox"/> Foreclosure due to extenuating circumstances ("Confirmed CR FC EC") <input type="checkbox"/> Deed-in-Lieu of Foreclosure ("Confirmed CR DIL") <input type="checkbox"/> Preforeclosure Sales or Short Sales ("Confirmed CR PFS") <input checked="" type="checkbox"/> Other <input type="text" value="Confirmed Mtg Del Incorrect"/>	<input type="checkbox"/> Inaccurate Foreclosure information ("Confirmed CR FC Incorrect") <input type="checkbox"/> Foreclosure due to extenuating circumstances ("Confirmed CR FC EC") <input type="checkbox"/> Deed-in-Lieu of Foreclosure ("Confirmed CR DIL") <input type="checkbox"/> Preforeclosure Sales or Short Sales ("Confirmed CR PFS") <input type="checkbox"/> Other <input type="text"/>

Important

New Bankruptcy, Foreclosure, and Mortgage Delinquency Messages

When a Refer with Caution is issued due to the overall risk of the loan, and not solely due to a 60-day or more mortgage delinquency, or a previous bankruptcy or foreclosure, entering the “Confirmed Incorrect” or “Confirmed EC” codes will not change the recommendation.

To make it clear that that the use of the codes did NOT impact that recommendation, DU will issue a new message:

This message will specify that DU was instructed to underwrite the loan casefile without the bankruptcy, foreclosure, or mortgage delinquency information on the credit report; however, this instruction was not used as the Refer with Caution recommendation was not issued solely due to the bankruptcy, foreclosure, or mortgage delinquency, but due to the overall risk of the loan.