

Loan Prospector Versus Desktop Underwriter Matrix

This table provides an overview of the differences between using Loan Prospector (LP) and Desktop Underwriter (DU) to underwrite mortgage loans. Loans evaluated using LP must be coded and priced as Freddie Mac. Loans evaluated using DU must be coded and priced as Fannie Mae.

Standard Requirements		
	Freddie Mac (LP)	Fannie Mae (DU)
AUS Recommendation	<ul style="list-style-type: none"> LP Accept/Eligible required No LP Caution, A-approvals, Ineligible, Invalid, Incomplete, or manual underwriting 	<ul style="list-style-type: none"> DU Approve/Eligible required No DU Refer, Ineligible, or manual underwriting
Continuity of Obligation	<ul style="list-style-type: none"> Transfer of ownership from an LLC to the borrower is not allowed 	<ul style="list-style-type: none"> Transfer of ownership from an LLC to the borrower is allowed if the borrower is an LLC member
Buy Out Owner's Interest – Divorce Settlement	<ul style="list-style-type: none"> Transaction is considered a cash-out refinance 	<ul style="list-style-type: none"> Transaction can be considered a limited cash-out refinance if there is a fully executed divorce decree and the subject property was jointly owned for at least 12 months prior to the disbursement date of the new mortgage loan
Texas Cash Out	<ul style="list-style-type: none"> Not allowed 	<ul style="list-style-type: none"> Allowed
Primary Residence Requirements	<ul style="list-style-type: none"> At least one borrower must occupy the subject property 	<ul style="list-style-type: none"> The borrower does not have to occupy the subject property if: <ul style="list-style-type: none"> The parents or legal guardians provide for physically handicapped or disabled adult children, or The child provides housing for elderly parent(s)
Credit Inquiries	<ul style="list-style-type: none"> Borrower must explain all credit report inquiries that occurred within the last 120 days 	<ul style="list-style-type: none"> Borrower must explain all credit report inquiries that occurred within the last 90 days
Student Loans	<ul style="list-style-type: none"> For loans in deferment or forbearance that do not have a documented monthly payment, use 1% of the outstanding balance 	<ul style="list-style-type: none"> For loans in deferment, forbearance, or repayment, use 1% of the balance unless the documented payment is higher than 1%. Payments 1% can be used if they are fully amortized and not subject to change

For Mortgage Professionals Only

LP Versus DU Matrix (Cont.)

Standard Requirements		
	Freddie Mac (LP)	Fannie Mae (DU)
Deed-in-Lieu of Foreclosure and Short Sale	<ul style="list-style-type: none"> • 4 years from the execution or completion date • If within the past 7 years: <ul style="list-style-type: none"> ○ Mortgage must be a purchase transaction secured by a primary residence or a “no cash-out” refinance ○ Max LTV/CLTV/HCLTV ratio is 90% 	<ul style="list-style-type: none"> • 4 years from the execution or completion date
Restructured / Modified Mortgages	<ul style="list-style-type: none"> • Not allowed 	<ul style="list-style-type: none"> • Allowed with DU Approve / Eligible recommendation and evidence that there were no late payments on the subject property in the past 24 months
Waiting Period Measurements for Derogatory Events	<ul style="list-style-type: none"> • Measured from the completion, discharge, or dismissal date of the derogatory credit event to the date of the application 	<ul style="list-style-type: none"> • Measured from the completion, discharge, or dismissal date of the derogatory credit event to the Note date
Paystubs	<ul style="list-style-type: none"> • Must be YTD and document at least 30 days of income 	<ul style="list-style-type: none"> • Must include all YTD earnings
Re-Entering the Workforce	<ul style="list-style-type: none"> • Borrower must be employed at their current job for at least six months, and • Document that the current income is in line with prior earnings prior to exiting the workforce 	<ul style="list-style-type: none"> • Document that the current income is in line with prior earnings prior to exiting the workforce
Retirement Income	<ul style="list-style-type: none"> • Borrower must have unrestricted access to the funds and penalty-free withdrawals. 100% of the value of can be used to verify the level of continuance 	<ul style="list-style-type: none"> • Borrower must have unrestricted access to the funds and penalty-free withdrawals. 70% of the value of the stocks, bonds, and mutual funds can be used to verify the level of continuance
Bonus Income	<ul style="list-style-type: none"> • Borrower must provide evidence that the bonus income has been received for two years 	<ul style="list-style-type: none"> • Borrower must have two years of employment history. At least one year must evidence bonus income

LP Versus DU Matrix (Cont.)

Standard Requirements		
	Freddie Mac (LP)	Fannie Mae (DU)
Commission Income	<ul style="list-style-type: none"> Borrower must have two years of commission income evidenced by two years of tax returns Any unreimbursed business expenses must be subtracted from the gross commission income 	<ul style="list-style-type: none"> Two years of commission income are recommended; however, commission income received for 12-24 months may be considered if there are positive offsetting factors If commission income is < 25% of the borrower's total annual income, a completed VOE form OR a recent paystub and two years of W-2s are required If commission income \geq 25% of the borrower's total annual income: <ul style="list-style-type: none"> Two years of tax returns are required A completed VOE form OR the borrower's recent paystub and two years of W-2s are required Unreimbursed business expenses must be subtracted from the gross commission income Unreimbursed business must be evaluated if the borrower has a deduction for an auto allowance

LP Versus DU Matrix (Cont.)

Standard Requirements		
	Freddie Mac (LP)	Fannie Mae (DU)
Rental Income from Subject Property	<ul style="list-style-type: none"> • Subject Property: 1- to 4-unit Investment Property <ul style="list-style-type: none"> ○ Form 998 is required if the rental income from the subject property is used to qualify AND the borrower has owned the subject property less than one year, and/or does not report rental income on Schedule E • Subject Property: 2- to 4-unit Primary Residence <ul style="list-style-type: none"> ○ Form 998 is required if the rental income from the subject property is used to qualify AND the borrower has owned the subject property less than one year, and/or does not report rental income on Schedule E 	<ul style="list-style-type: none"> • Subject Property: 1- to 4-unit Investment Property <ul style="list-style-type: none"> ○ Form 1007 is required if rental income from the subject property is used to qualify • Subject Property: 2- to 4-unit Primary Residence <ul style="list-style-type: none"> ○ An appraisal on Form 1025 is required
Detached Condos	<ul style="list-style-type: none"> • Detached condo project review required 	<ul style="list-style-type: none"> • Limited review allowed
Fidelity/Crime Insurance	<ul style="list-style-type: none"> • Required for all condo projects, except those consisting of ≤ 20 units 	<ul style="list-style-type: none"> • Required for all condo projects except the following: <ul style="list-style-type: none"> ○ Projects consisting ≤ 20 units, ○ Projects subject to a Limited Review • Projects that need fidelity/crime insurance of \$5,000 or less
Liability Insurance	<ul style="list-style-type: none"> • Required for all condo and attached PUD projects 	<ul style="list-style-type: none"> • Required for all condo projects (except those subject to a Limited Review) and attached units in new PUD projects
Attached Units in New Condo Projects (Subject to Full Review)	<ul style="list-style-type: none"> • At least 70% of the units in the project must have been conveyed or must be under contract to principal residence or 2nd home buyers 	<ul style="list-style-type: none"> • At least 50% of the units must have been conveyed or must be under contract to principal residence or 2nd home buyers (all but 1 unit for 2-4 unit projects)